JOURNAL

of the

HOUSE OF REPRESENTATIVES

of the

General Assembly

of the

Commonwealth of Kentucky

2007 First Extraordinary Session

Begun on Thursday, the Fifth Day of July, 2007, and
Adjourned Sine Die on Monday, the Thirtieth Day of July, 2007

AND

2007 Second Extraordinary Session

Begun on Monday, the Twentieth Day of August, 2007, and
Adjourned Sine Die on Friday, the Twenty-Fourth Day of August, 2007

Volume I

Held in the State Capitol in the City of Frankfort,
at Frankfort, in the Year of Our Lord 2007,
and in the Two Hundred and Sixteenth
Year of the Commonwealth

Paid for from state funds

FOREWORD

The Kentucky Constitution requires each chamber of the General Assembly to keep a journal as a public accounting of daily legislative activity. The journal is the official record of action.

The Kentucky Revised Statutes require the Legislative Research Commission to compile, edit, correct, and publish the journals of each chamber. This is the House Journal for the First and Second Extraordinary Sessions of the 2007 General Assembly.

Texts of bills, joint resolutions, and concurrent resolutions appear in the journal on the day of their first reading. Texts of simple resolutions appear on the day of either their first reading or adoption. Texts of committee amendments appear when they are reported out of committee and floor amendments are inserted at the end of the day on which they were filed. The appendices include a table of actions on bills and resolutions, a list of elected representatives, roll call votes, and a sponsor and subject index.

JoAnn Paulin and Marlene Rutherford prepared the *House Journal* for the 2007 First and Second Extraordinary Sessions. The edited copy and appendices in this volume reflect the cooperative efforts of the LRC Staff.

Robert S. Sherman
Director

The Capitol
Frankfort, Kentucky
2007

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JOURNAL
OF THE
HOUSE OF REPRESENTATIVES
OF THE
GENERAL ASSEMBLY
OF THE
COMMONWEALTH OF KENTUCKY
FIRST EXTRAORDINARY SESSION
OF 2007
THURSDAY, JULY 5, 2007
FIRST LEGISLATIVE DAY

At an Extraordinary Session of the General Assembly of the Commonwealth of Kentucky, held at the Capitol in the City of Frankfort, and begun on July 5, 2007, the two hundredth and sixteenth year of the Commonwealth, in compliance with a Proclamation issued by the Governor of the Commonwealth of Kentucky, the Honorable Ernie Fletcher, Governor, the House of Representatives was called to order by the Honorable Jody Richards, Speaker of the House of Representatives.

Prayer by Reverend Tim Murtaugh, First Christian Church, Frankfort, Kentucky.

The Speaker led the members in the Pledge of Allegiance to the Flag.

Special music was performed by Hattie Clark, Marion County, guest of Representative Jimmy Higdon.

The Clerk read the following Governor's Proclamation:

Proclamation by Ernie Fletcher, Governor of the Commonwealth of Kentucky:

Pursuant to the power vested in me by Section 80 of the Constitution of the Commonwealth of Kentucky, I, Ernie Fletcher, Governor, do issue this proclamation convening the Kentucky General Assembly in Extraordinary Session at the Seat of Government, Frankfort, Kentucky, at 4:00 p.m. (EDST), Thursday, July 5, 2007, for the sole purpose of considering the following subjects:

1. Considering legislation to do the following:
    a. Creating economic development and educational incentives to encourage an increase in the production and use of alternative fuels and renewable energy resources and promote energy conservation and increased energy efficiency in Kentucky for the purpose of decreasing the Commonwealth's and the nation's dependence on foreign sources of energy; and
    b. Making an appropriation for the purpose of financing research to quantify the potential for enhanced oil recovery and enhanced coal bed methane recovery using carbon dioxide, and the potential for permanent storage or sequestration of carbon dioxide in Kentucky.
2. The appropriation of funds and the approval of state bonds supported by the General Fund for the following capital projects:
    a. Construction of an EKU-UK Dairy Research project at Meadowbrook Farm, through appropriations to Eastern Kentucky University
    b. Expansion and renovation of the Betty White Nursing Building, through appropriations to Kentucky State University.
    c. Funding of a Business Continuance Datacenter, through appropriations to Morehead State University.
    d. Expansion and upgrade of the Livestock Disease Diagnostic Center, through appropriations to the University of Kentucky.
    e. Renovation of the Science Campus, through appropriations to Western Kentucky University.
    f. Construction of the Materials Characterization Center/ICSET, through appropriations to Western Kentucky

University.

g. Replacement of the Ford College of Business-Grise Hall, through appropriations to Western Kentucky University.

h. Construction of the Cynthiana-Licking Valley Campus for Maysville Community and Technical College, through appropriations to the Kentucky Community and Technical College System.

i. Construction of the Carrollton Campus for Jefferson Community and Technical College, through appropriations to the Kentucky Community and Technical College System.

j. Construction of an Energy and Advanced Technology Center for Madisonville Community and Technical College, through appropriations to the Kentucky Community and Technical College System.

k. Expansion of the Owensboro Community and Technical College, through appropriations to the Kentucky Community and Technical College System.

l. Design of the Rowan County Campus of Maysville Community and Technical College, through appropriations to the Kentucky Community and Technical College System.

m. Funding of a Postsecondary Education Capital Renewal and Maintenance Pool, through appropriations to the Council on Postsecondary Education.

n. Funding of Postsecondary Education Information Technology and Equipment Acquisitions, through appropriations to the Council on Postsecondary Education.

o. Funding of Postsecondary Education Research Support/Lab Renovation and Equipment, through appropriations to the Council on Postsecondary Education.

p. Increased funding for the Kentucky River Locks and Dams Maintenance and Renovations Pool, through appropriations to the Kentucky River Authority, and to reduce the existing agency bond appropriation.

q. Purchase and installation of an On-Line Assessment system, through appropriations to the Department of Education.

r. Purchase and installation of a Knowledge Management Portal, through appropriations to the Department of Education.

s. A capital grant for the purchase, construction, renovation, or improvements to residential housing for children at Brooklawn Child and Family Services in Louisville, Kentucky, through appropriations to the Department for Community Based Services.

t. Upgrading the HVAC systems at facilities operated by the State Fair Board, through appropriations to the State Fair Board.

u. A capital grant to the Louisville Zoo in Louisville, Kentucky for the Glacier Run project, through appropriations to the Governor's Office for Local Development.

v. Capital grants for Animal Shelters, through appropriations to the Department of Agriculture.

w. Funding for the planning, design and construction of the Pikeville Medical Center in Pikeville, Kentucky, for the Pike County Fiscal Court, through appropriations to the Governor's Office for Local Development.

3. The appropriation of funds and the approval of agency bonds supported by Restricted Funds for the following capital projects:

a. Construction of New Student Housing, through appropriations to Eastern Kentucky University.

b. Construction of a Parking Structure, through appropriations to Kentucky State University.

c. Construction of a Student Recreation Center, through appropriations to Morehead State University.

d. Renovation of Student Housing Facilities, through appropriations to Morehead State University.

e. Replacement of Franklin Hall, through appropriations to Murray State University.

f. Renovation of the Curris Center and T-Room, through appropriations to Murray State University.

g. Acquisition and renovation of new Residence Halls, through appropriations to Northern Kentucky University.

h. Renovation of Blazer Hall Cafeteria, through appropriations to the University of Kentucky.

i. Upgrade of Existing Dormitories for Housing, through appropriations to the University of Kentucky.

j. Construction of a Health Sciences Center Parking Structure, through appropriations to the University of Louisville.

k. Construction of a Health Sciences Center Research Facility, through appropriations to the University of Louisville.

l. Renovation of Miller Hall, through appropriations to the University of Louisville.

m. Expansion of the Preston Center, through appropriations to Western Kentucky University.

n. Acquisition of property and construction of parking lots, through appropriations to Western Kentucky University.

o. Renovation of Van Meter Hall, through appropriations to Western Kentucky University.

p. Expansion of the Ivan Wilson Fine Arts Center, through appropriations to Western Kentucky University.

4. The appropriation of funds and the approval of state bonds supported by the General Fund for the following new capital projects:

a. Additional funds to Construct an Alzheimer's/General Care Unit at the Western Kentucky Veterans' Center

b. Additional funds for the Economic Development Bond program, through appropriations to the Economic Development Cabinet.

c. A capital grant to the Muhammad Ali Center in Louisville, Kentucky, through appropriations to the Governor's Office for Local Development.

d. Construction of an Outdoor Stadium at the Kentucky Horse Park, through appropriations to the Horse Park Commission.

e. Additional funds for the New Indoor Arena project at the Kentucky Horse Park, through appropriations to the Horse Park Commission.

f. Planning and design for a new Breathitt Veterinary Center in Hopkinsville, through appropriations to Murray State University.

g. Funding of Water, Sewer, and Infrastructure projects needed because of the lowering of Lake Cumberland, through appropriations to the Governor's Office for Local Development.

5. The appropriation of funds and the approval of agency bonds supported by Restricted Funds for the following new capital projects:

a. Funding for Infrastructure improvements at Bluegrass Station, through appropriations to the Department of Military Affairs.

b. Construction of a new Warehouse at Bluegrass Station, through appropriations to the Department of Military Affairs.

6. The appropriation of funds for the construction of Roads and Pedways at the Kentucky Horse Park, through appropriation from the Road Fund to the Horse Park Commission.

7. The appropriation of funds to expand Papa John's Cardinal Stadium, through appropriation of Restricted and Other Funds to the University of Louisville.

8. The appropriation of funds to expand the Ambulatory Care Building Academic Addition, through appropriation of Other Funds to the University of Louisville, and to authorize an agreement pursuant to Kentucky Revised Statutes 45.763.

9. The appropriation from the Road Fund for the relocation of runway 9-27 at Bluegrass Field, Lexington, Kentucky, through appropriations to the Transportation Cabinet.

10. The authorization for Murray State University to use previously appropriated funds for the construction of the chemistry and physics buildings.

11. The authorization for the Kentucky Community and Technical College System to convey title to real property in Covington, Kentucky to the Gateway Community and Technical College Foundation.

12. The authorization for the Transportation Cabinet to increase the number of design/build demonstration road related projects.

13. The authorization for the Transportation Cabinet to begin design, preliminary engineering, relocation activities, and right-of-way acquisition for the Crittenden Drive/Louisville Regional Airport Authority project.

14. The appropriation from the General Fund for a comprehensive study of the condition of elementary and secondary school buildings, through appropriations to the General Administration appropriation unit within the Finance and Administration Cabinet.

15. Consider legislation to define a "public agency" as any agency participating in a state-administered retirement system or plan, any agency participating in the state health insurance plan, or an institution subject to the provisions of KRS Chapter 164; and to require public agencies to adhere to the requirements of Section 233A of the Kentucky Constitution in providing health insurance coverage for their employees.

16. Exempting active duty and reserve military pay from Kentucky income tax.

17. To authorize the Department of Corrections to operate a voluntary secure pre-trial substance abuse treatment program and establish conditions of substance abuse treatment in order to obtain pre-trial release or pre-trial diversion.

18. The appropriation from the General Fund for a grant to the Frazier International History Museum in Louisville, Kentucky, for an exhibit at the museum in conjunction with the Lincoln Bicentennial, through appropriations to the Kentucky Historical Society.

19. The appropriation of funds for residential rates for private child caring providers and to establish pilot programs for additional services required for children with intensive needs, through appropriations to the Department for Community Based Services.

20. The authorization for the Transportation Cabinet to upgrade and improve sections of US 68 where all rights-of-way have been obtained by the Cabinet.

21. The authorization for the Transportation Cabinet to spend Road Fund resources for safety-related projects.

22. The Appropriation of funds for a potential presidential debate in Kentucky in the 2008 Presidential Election.

The members of the General Assembly will, therefore, assemble in accordance with this Proclamation at the Seat of Government at Frankfort, Kentucky, in Extraordinary Session on the day and Date above written, to act upon the subjects herein specified, and upon no other subjects.

DONE AT THE CAPITOL, in the city of Frankfort, on this the second day of July in the year of our Lord Two Thousand and Seven and in the year of the Commonwealth Two Hundred and Sixteen.

/s/Ernie Fletcher, Governor

Commonwealth of Kentucky

/s/Trey Grayson

Secretary of State

Speaker Richards directed that the Journal reflect that the membership of the House of Representatives is the same as that of the 2007 Regular Session.

The roll was called. All members present except Representatives Keene, Mobley, Montell, B. Smith, Thompson, and Vincent.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording to do so if they have filed the proper papers with the clerk. Agreed.

Introduction of Bills and Resolutions

HCR 1, by Representatives Richards, Adkins, Wilkey, Clark, and Hoffman: A CONCURRENT RESOLUTION adjourning the 2007 Extraordinary Session of the General Assembly sine die.

HR 2, by Representatives Richards, Adkins, Hoffman, Wilkey, and Clark: A RESOLUTION adjourning the House of Representatives for the 2007 Extraordinary Session sine die.

HR 3, by Representatives Richards, Adkins, Clark, Hoffman, and Wilkey: A RESOLUTION relating to a request regarding compensation of House members for the 2007 Extraordinary Session.

The Speaker Pro Tem assumed the chair.

Speaker Richards addressed the House.

The Speaker resumed the chair.

Representative Hoover addressed the House.

Motions, Petitions, and Communications

Representative Adkins moved to suspend the rules to waive the posting requirement on **HCR 1, HR 2,** and **HR 3**. Agreed.

Representative Ford rose to a point of order. Citing Sections 41 and 80 of the Kentucky Constitution, Representative Ford asked for the Chair to rule on whether the House can adjourn sine die if the Senate does not agree to **HCR 1**.

The Speaker ruled that the House could adjourn.

Representative Ford rose to a second point of order.

Representative Ford asked the Speaker to rule whether adjournment sine die without the consent of the Senate would be in violation of Section 41 of the Kentucky Constitution. The Speaker ruled that Section 41 does not control the adjournment of extraordinary sessions of the General Assembly.

Representative Adkins moved to suspend the rules to act on **HCR 1, HR 2,** and **HR 3**.

Representative Hoover rose to a point of order. Representative Hoover inquired if any of the three Resolutions the House has suspended the rules to consider is a concurrent resolution.

Speaker Richards stated that **HCR 1** is a concurrent resolution and that the motion to suspend the Rules to consider the resolutions had been adopted without objection.

Representative Adkins moved the adoption of the following **HCR 1**:

HCR 1, A CONCURRENT RESOLUTION adjourning the 2007 Extraordinary Session of the G eneral Assembly sine die.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky, the Senate concurring therein:

Section 1. When the House of Representatives and the Senate adjourn, Thursday, July 5, 2007, they will do so sine die.

Representative Hoover rose to a point of order. Citing House Rule 10, Representative Hoover asked the chair to rule if this motion to adjourn requires a roll call vote.

The speaker ruled that the motion on the floor is not a motion to adjourn, but is a motion to adopt a resolution and a vote on a adjournment would come later; however a roll call vote would be taken on the motion to adopt **HCR 1**.

On the roll call to adopt **HCR 1** the vote was: **Yeas 56, Nays 34.** (See July 5, 2007, roll call on **HCR 1** - Appendix.)

HCR 1 was adopted.

Representative Adkins moved that the vote by which **HCR 1** was adopted be reconsidered and said motion be placed on the table. Agreed.

Representative Adkins moved the adoption of the following **HR 2**:

HR 2, A RESOLUTION adjourning the House of Representatives for the 2007 Extraordinary Session sine die.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. When the House of Representatives adjourns, July 5, 2007, they will do so sine die.

There being no objection, **HR 2** was adopted.

Representative Floyd rose to a point of order. Citing Section 41 of the Kentucky Constitution, Representative Floyd stated that **HR 2** is out of order and moved that it be laid on the table.

Speaker Richards ruled the motion was out of order.

Representative S. Lee rose to a point of order. Representative S. Lee stated that House Rule 10 requires that a motion to adjourn be taken by a roll call vote if requested by a majority of the body and asked for a roll call vote on **HR 2**.

The Speaker ruled that the vote on **HR 2** was a vote to adopt a simple resolution, not a vote to adjourn and further that the vote on **HR 2** had been carried through and the resolution had been adopted.

Representative S. Lee rose to a second point of order. Representative S. Lee asked if the motion on adjournment is debatable.

Speaker Richards ruled the Resolution had been adopted.

Representative Adkins moved the adoption of the following **HR 3**:

HR 3, A RESOLUTION relating to a request regarding compensation of House members for the 2007 Extraordinary Session.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. On July 5, 2007, a Resolution was adopted by the House of Representatives adjourning the chamber sine die. The members of the House of Representatives desire not to be paid compensation or other expenses for the 2007 Extraordinary Session, since they have adjourned sine die. The House of Representatives requests the Secretary of the Finance and Administration Cabinet, and the State Treasurer not to process any warrants or other documents for payment of compensation and expenses of the members for the 2007 Extraordinary Session, and that the State Treasurer not issue checks for payment of compensation and expenses for House members for said session.

Section 2. The Clerk of House is directed to deliver a copy of this Resolution to the Speaker of the House, the Secretary of the Finance and Administration Cabinet, and the State Treasurer.

There being no objection, **HR 3** was adopted.

Representative Adkins moved that the vote by which **HR 3** was adopted be reconsidered and said motion be placed on the table. Agreed.

Representative Adkins moved that the reading of the Journal for July 5, 2007, be dispensed with and the same approved. Agreed.

Representative Adkins moved that the reading of the Journal for the First Extraordinary Session of 2007 be dispensed with and the same approved. Agreed.

Adjournment

Representative Adkins moved that the House adjourn until Tuesday, January 8, 2008, unless otherwise called into extraordinary session by the Governor. The motion to adjourn was adopted by voice vote.

MONDAY, JULY 30, 2007

SECOND LEGISLATIVE DAY

The House of Representatives was called to order by the Honorable Jody Richards, Speaker of the House of Representatives.

Prayer was offered by Reverend Jack Brewer, First Methodist Church, Frankfort, Kentucky.

The Speaker led the members in the Pledge of Allegiance to the Flag.

The Clerk read an additional Proclamation from the Governor:

To All To Whom These Presents Shall Come:

WHEREAS, by Proclamation dated July 2, 2007 and pursuant to the power vested in me by Section 80 of the Constitution of the Commonwealth of Kentucky, I, Ernie Fletcher, Governor, did call upon the Kentucky General Assembly to convene in Extraordinary Session for the sole purpose of considering the subjects enumerated in that Proclamation;

WHEREAS, on July 5, 2007 the House of Representatives and Senate did convene in Extraordinary Session;

WHEREAS, on July 5, 2007 the House of Representatives, without considering any of the subjects enumerated in the Proclamation, passed HCR 1 in an attempt to adjourn sine die without concurrence of the Senate;

WHEREAS, from July 5, 2007 through July 9, 2007 the Senate considered all of the subjects enumerated in the Proclamation and, on July 9, 2007, passed them in their entirety as Senate Bills 1, 2, 3, 4 and 5;

WHEREAS, on July 9 2007 the Senate ruled out of order HCR 1 by voice vote and communicated same to the Clerk of the House of Representatives;

WHEREAS, it has now been certified to me that there is a disagreement between the two chambers of the Kentucky General Assembly with respect to the time of adjournment of the Extraordinary Session;

WHEREAS, pursuant to Section 80 of the Constitution of the Commonwealth of Kentucky when the two chambers of the Kentucky General Assembly are in disagreement as to the time of adjournment of an Extraordinary Session, the Governor is authorized to adjourn the General Assembly to such time as he shall think proper.

NOW, THEREFORE, pursuant to the power vested in me by Section 80 of the Constitution of the Commonwealth of Kentucky, I, Ernie Fletcher, do hereby temporarily adjourn the Extraordinary Session convened by the July 2, 2007 Proclamation and do further direct as follows:

1. That the General Assembly shall reassemble and reconvene this Extraordinary Session at the Seat of Government, Frankfort, Kentucky, at 4:00 p.m. (EDT), Monday, July 30, 2007; and

2. That the General Assembly shall act upon the subjects specified in the July 2, 2007 Proclamation, additionally consider legislation waiving any and all compensation, including expense allowances and standard stationary allowances, authorized for legislators under KRS 6.190, KRS 6.211, House Bill 381 (the current legislative budget) or any other applicable law for the duration of the adjournment declared herein, and upon no other subjects.

DONE AT THE CAPITOL, in the city of Frankfort, on this the 11th day of July in the year of our Lord Two Thousand and Seven and in the year of the Commonwealth Two Hundred and Sixteen.

/s/Ernie Fletcher, Governor

Commonwealth of Kentucky

/s/Trey Grayson

Secretary of State

The roll was called. All members present except Representatives Horlander, Moore, B. Smith, Watkins, Weston, and Wilkey.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording to do so if they have filed the proper papers with the clerk. Agreed.

Introduction of Bills and Resolutions

HCR 4, by Representatives Richards, Adkins, Clark, and Hoffman : A CONCURRENT RESOLUTION adjourning the 2007 extraordinary Session of the General Assembly sine die.

HR 5, by Representatives Koenig, Wuchner, Draud, and Kerr: A RESOLUTION adjourning the House of Representatives in loving memory of James Lee Shumate.

Report of Committees

The Committee on Committees Report reported the following committee changes:

Appoint the following member to:

Special Subcommittee on Energy

Rep. Tim Couch

Remove the following members from:

Special Subcommittee on Energy

Rep. Bob DeWeese

Representative Adkins moved that the rules be suspended to waive and the posting requirement on **HCR 4**. Agreed.

Representative Adkins moved the adoption of the following **HCR 4**:

HCR 4, A CONCURRENT RESOLUTION adjourning the 2007 Extraordinary Session of the General Assembly sine die.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky, the Senate concurring therein:

Section 1. When the House of Representatives and the Senate adjourn, Monday, July 30, 2007, they will do so sine die.

On the roll call to adopt **HCR 4** the vote was: **Yeas 88, Nays 4.** (See July 30, 2007, roll call on **HCR 4** - Appendix.)

HCR 4 was adopted.

Representative Adkins moved that the vote by which **HCR 4** was adopted be reconsidered and said motion be placed on the table. Agreed.

Representative Adkins moved that the reading of the Journal for July 30, 2007, be dispensed with and the same approved. Agreed.

Representative Adkins moved that the reading of the Journal for the First Extraordinary Session of 2007 be dispensed with and the same approved. Agreed.

Representative Adkins moved that when the House does adjourn it does so until 12 noon on Tuesday, January 8, 2008.

Representative Hoover rose to a point of order.

Representative Hoover asked if the House would be accepting bills sent from the Senate.

The Speaker ruled that the House would not be accepting bills from the Senate.

The members of the House stood in honor and recognition of Representative Moore whose absence from the session is due to his deployment to Afghanistan with the Kentucky Air Guard.

Representative Hoover read a statement from Representative Moore.

Adjournment

Representative Adkins moved that the House adjourn until Tuesday, January 8, 2008, unless otherwise called into extraordinary session by the Governor. The motion to adjourn was adopted by voice vote.

APPENDIX A

2007 FIRST EXTRAORDINARY SESSION

LIST OF HOUSE MEMBERSHIP

OFFICERS

SPEAKER	**REPRESENTATIVE JODY RICHARDS**
SPEAKER PRO TEM	**REPRESENTATIVE LARRY CLARK**
CHIEF CLERK	**JEAN BURGIN**
ASSISTANT CLERK	**SANDI MORRIS**
ENROLLING CLERK	**MARGARET WATTS**
SERGEANT AT ARMS	**GEORGE FRITZ**
CHIEF DOORKEEPER	**J. O. WHITAKER**
CLOAKROOM KEEPER	**BARRY HOLDER**
JANITOR	**BOB GOODWIN**
JANITOR	**FRANK SMITH**

1st District	Steven J. Rudy 3430 Blueridge Drive West Paducah, KY 42806	**2nd District**	Fred Nesler P. O. Box 308 Mayfield, KY 42066
3rd District	Frank Rasche 4100 Hillcrest Avenue Paducah, KY 42001	**4th District**	Mike Cherry 803 S. Jefferson Street Princeton, KY 42445
5th District	Melvin B. Henley 1305 S. 16th Street Murray, KY 42071	**6th District**	J. R. Gray 3188 Mayfield Hwy. Benton, KY 42025
7th District	John A. Arnold, Jr. 1301 N. Lee Street Sturgis, KY 42459	**8th District**	John Tilley P.O. Box 648 Hopkinsville, KY 42241
9th District	Myron Dossett 7155 Salubria Springs Rd. Pembroke, KY 42266	**10th District**	Joseph E. "Eddie" Ballard P.O. Box 1736 Madisonville, KY 42431
11th District	David Watkins 5600 Timberlake Drive Henderson, KY 42420	**12th District**	Jim Gooch, Jr. 714 Broadway B2 Providence, KY 42450
13th District	Jim Glenn P.O. Box 21562 Owensboro, KY 42304	**14th District**	Tommy Thompson P.O. Box 458 Owensboro, KY 42302
15th District	Brent Yonts 232 Norman Circle Greenville, KY 42345	**16th District**	Sheldon E. Baugh 252 West Valley Drive Russellville, KY 42276
17th District	C. B. Embry, Jr. P.O. Box 1215 Morgantown, KY 42261	**18th District**	Dwight D. Butler P.O. Box 9 Harned, KY 40144
19th District	Dottie Sims 459 Violet Ave. Horse Cave, KY 42749	**20th District**	Jody Richards 817 Culpepper Street Bowling Green, KY 42103

21st District	Jim DeCesare 136 Cedar Trail Avenue Bowling Green, KY 42101	**22nd District**	Rob Wilkey 220 Homestead Ct. Scottsville, KY 42164
23rd District	Johnny Bell 108 North Green Street Glasgow, KY 42141	**24th District**	Jimmy Higdon 507 W. Main Street Lebanon, KY 40033
25th District	Jimmie Lee 901 Dogwood Drive Elizabethtown, KY 42701	**26th District**	Tim Moore 417 Bates Rd Elizabethtown, KY 42701
27th District	Jeff Greer 2125 Highway 79 Brandenburg, KY 40108	**28th District**	Charles W. Miller 3608 Gateview Circle Louisville, KY 40272
29th District	Kevin D. Bratcher 10215 Landwood Drive Louisville, KY 40291	**30th District**	Thomas Burch 4012 Lambert Avenue Louisville, KY 40218
31st District	Steve Riggs 8108 Thornwood Road Louisville, KY 40220	**32nd District**	Scott W. Brinkman 6001 Two Springs Lane Louisville, KY 40207
33rd District	Ron Crimm P.O. Box 43244 Louisville, KY 40253	**34th District**	Mary Lou Marzian 2007 Tyler Lane Louisville, KY 40205
35th District	Jim Wayne 1280 Royal Avenue Louisville, KY 40204	**36th District**	Lonnie Napier 302 Danville Street Lancaster, KY 40444
37th District	Ron Weston 423 Chieftain Drive Fairdale, KY 40118	**38th District**	Tim Firkins 212 East Esplanade Ave. Louisville, KY 40214
39th District	Robert R. Damron 231 Fairway West Nicholasville, KY 40356	**40th District**	Dennis L. Horlander 1806 Farnsley Road Louisville, KY 40216
41st District	Tom Riner 1143 E. Broadway Louisville, KY 40204	**42nd District**	Reginald K. Meeks P.O. Box 757 Louisville, KY 40201
43rd District	Darryl T. Owens 1300 W. Broadway Louisville, KY 40203	**44th District**	Joni Jenkins 2010 O'Brien Court Shively, KY 40216
45th District	Stan Lee P.O. Box 2090 Lexington, KY 40588	**46th District**	Larry Clark 5913 Whispering Hills Blvd. Louisville, KY 40219

47th District
Rick W. Rand
P.O. Box 273
Bedford, KY 40006

48th District
Bob M. DeWeese
6206 Glenhill Road
Louisville, KY 40222

49th District
Larry Belcher
4804 Hickory Hollow Lane
Shepherdsville, KY 40165

50th District
David W. Floyd
102 Maywood Avenue
Bardstown, KY 40004

51st District
Russ Mobley
900 Holly Street
Campbellsville, KY 42718

52nd District
Ken Upchurch
P.O. Box 991
Monticello, KY 42633

53rd District
James R. Comer, Jr.
P. O. Box 338
Tompkinsville, KY 42167

54th District
Mike Harmon
P.O. Box 458
Junction City, KY 40440

55th District
W. Milward Dedman, Jr.
300 South Chiles
Harrodsburg, KY 40330

56th District
Carl Rollins II
P. O. Box 424
Midway, KY 40347

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Derrick W. Graham
702 Capitol Ave.
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59th District
David Osborne
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60th District
Sal Santoro
596 Walterlot Court
Florence, KY 41042

61st District
Royce W. Adams
580 Bannister Road
Dry Ridge, KY 41035

62nd District
Charlie Hoffman
406 Bourbon Street
Georgetown, KY 40324

63rd District
Jon E. Draud
3081 Lyndale Court
Edgewood, KY 41017

64th District
Thomas Robert Kerr
5415 Old Taylor Mill
Taylor Mill, KY 41015

65th District
Arnold R. Simpson
28 West 5th Street
Covington, KY 41011

66th District
Addia Kathryn Wuchner
P.O. Box 911
Burlington, KY 41005

67th District
Dennis Keene
1040 Johns Hill Road
Wilder, KY 41076

68th District
Joseph M. Fischer
126 Dixie Place
Ft. Thomas, KY 41075

69th District
Adam Koenig
3346 Canterbury Court
Erlanger, KY 41018

70th District
Mitchel B. "Mike" Denham, Jr.
306 Old Hill City Road
Maysville, KY 41056

71st District
John Will Stacy
P.O. Box 135
West Liberty, KY 41472

72nd District
Carolyn Belcher
51 Blevins Valley Road
Owingsville, KY 40360

73rd District
Don Pasley
5805 Ecton Road
Winchester, KY 40391

74th District
Richard Henderson
60 Myers Cemetery Road
Jeffersonville, KY 40337

75th District
Kathy W. Stein
364 Transylvania Park
Lexington, KY 40508

76th District
Ruth Ann Palumbo
10 Deepwood Drive
Lexington, KY 40505

77th District
Jesse Crenshaw
121 Constitution Street
Lexington, KY 40507

78th District
Thomas M. McKee
1053 Cook Road
Cynthiana, KY 41031

79th District
Susan Westrom
P.O. Box 22778
Lexington, KY 40522

80th District
Danny R. Ford
P.O. Box 1245
Mt. Vernon, KY 40456

81st District
Harry Moberly, Jr.
P.O. Box 721
Richmond, KY 40475

82nd District
Charles L. Siler
3570 Tackett Creek Road
Williamsburg, KY 40769

83rd District
Jeffrey Hoover
P.O. Box 985
Jamestown, KY 42629

84th District
Brandon D. Smith
350 Kentucky Blvd.
Hazard, KY 41701

85th District
Tommy Turner
175 Clifty Grove Church Rd.
Somerset, KY 42501

86th District
Jim Stewart, III
141 KY 223
Flat Lick, KY 40935

87th District
Rick G. Nelson
Route 3, Box 686
Middlesboro, KY 40965

88th District
Bill Farmer
3361 Squire Oak Drive
Lexington, KY 40515

89th District
Marie L. Rader
P.O. Box 323
McKee, KY 40447

90th District
Tim Couch
P.O. Box 710
Hyden, KY 41749

91st District
Ted "Teddy" Edmonds
1257 Beattyville Road
Jackson, KY 41339

92nd District
Ancel Smith
1812 Wiley Fork Road
LeBurn, KY 41831

93rd District
W. Keith Hall
P.O. Box 466
Phelps, KY 41553

94th District
Leslie Combs
245 E. Cedar Drive
Pikeville, KY 41501

95th District
Brandon Spencer
135 Calf Branch
Prestonsburg, KY 41653

96th District
Robin L. Webb
404 W. Main Street
Grayson, KY 41143

97th District
Hubert Collins
72 Collins Lane
Wittensville, KY 41274

98th District
Tanya Pullin
1026 Johnson Lane
South Shore, KY 41175

99th District
Rocky Adkins
P.O. Box 688
Sandy Hook, KY 41171

100th District
John Vincent
P.O. Box 2528
Ashland, KY 41105

APPENDIX B

2007 FIRST EXTRAORDINARY SESSION

HISTORY OF ACTION TABLES

Appendix B--History of House Resolutions in the House
2007 First Extraordinary Session

Numbers refer to page of House Journal. The text of a concurrent or joint resolution is given on first reading.
The text of a simple resolution is given on its adoption.
*Voting modifications are listed after the roll call vote - Appendix C.

There were no House Bills, Senate Bills, or Senate resolutions introduced or recieved in the House.

Bill No.	Intro-duced	Re-ferred	Re-ported	Readings			Sub or Amend	Voting*	Senate Message	Concur Activities	Enrolled (Del. to Gov.)	Other Action
				1st	2nd	3rd						
HCR 1	4			5				5				5
HR 2	4			6				6				5, 6
HR 3	4			6				6				5
HR 4	8			8				8				8
HR 5	8											

APPENDIX C

2007 FIRST EXTRAORDINARY SESSION

HOUSE ROLL CALLS

HCR 1 Adopt (Jul 5) Yeas 56—Adams, Adkins, J. Arnold, C. Belcher, L. Belcher, Bell, Burch, Cherry, L. Clark, Collins, Combs, Crenshaw, Damron, Denham, Edmonds, Firkins, Glenn, Graham, Gray, Greer, Hall, Henderson, Henley, Hoffman, Horlander, Jenkins, J. Lee, Marzian, Mckee, Meeks, Miller, Moberly, Nelson, Nesler, Owens, Palumbo, Pasley, Pullin, Rand, Rasche, Richards, Riggs, Riner, Rollins, Simpson, A Smith, Spencer, Stacy, Stein, Tilley, Watkins, Wayne, Webb, Weston, Westrom, Wilkey. **Nays 34**—Baugh, Brinkman, D Butler, Comer, Couch, Crimm, Decesare, Dedman, Deweese, Dossett, Draud, Embry, Farmer, Fischer, Floyd, Ford, Gooch, Harmon, Higdon, Hoover, Kerr, Koenig, S. Lee, Moore, Napier, Osborne, Rader, Rudy, Santoro, Siler, Stewart, Turner, Upchurch, Wuchner.

HCR 4 Adopt (Jul 30) Yeas 88—Adams, Adkins, J. Arnold, Ballard, Baugh, C. Belcher, L. Belcher, Bell, Bratcher, Brinkman, Burch, D Butler, Cherry, L. Clark, Collins, Combs, Comer, Couch, Crenshaw, Crimm, Damron, Decesare, Dedman, Denham, Deweese, Dossett, Draud, Edmonds, Embry, Farmer, Firkins, Fischer, Floyd, Glenn, Gooch, Graham, Gray, Greer, Hall, Harmon, Henderson, Henley, Higdon, Hoffman, Jenkins, Keene, Kerr, Koenig, J. Lee, Marzian, Mckee, Meeks, Miller, Moberly, Montell, Napier, Nelson, Nesler, Osborne, Owens, Palumbo, Pasley, Pullin, Rader, Rand, Rasche, Richards, Riggs, Riner, Rollins, Rudy, Santoro, Simpson, Sims, A Smith, Spencer, Stacy, Stein, Stewart, Thompson, Tilley, Turner, Upchurch, Wayne, Webb, Westrom, Wuchner, Yonts. **Nays 4**—Ford, S. Lee, Mobley, Siler.

APPENDIX D

2007 FIRST EXTRAORDINARY SESSION

SPONSOR AND SUBJECT INDEX

BILLS BY SPONSOR INDEX

*Indicates the Legislator was the Primary Sponsor of a Bill or Resolution
(**HJR** means Joint Resolution; **HCR** means Concurrent Resolution; **HR** means Simple Resolution)

ADKINS, ROCKY
HCR 1*, 4*
HR 2*, 3*

CLARK, LARRY
HCR 1, 4
HR 2, 3

DRAUD, JON
HR 5

HOFFMAN, CHARLIE
HCR 1, 4
HR 2, 3

KERR, THOMAS
HR 5

KOENIG, ADAM
HR 5*

RICHARDS, JODY
HCR 1*, 4*
HR 2*, 3*

WILKEY, ROB
HCR 1
HR 2, 3

WUCHNER, ADDIA
HR 5

General Assembly

Adjournment sine die, House of Representatives - HR 2
Adjournment, sine die - HCR 1, 4
Committee appointments - p 8
Compensation and travel for house members, request regarding nonpayment of - HR 3
Governor's Proclamation - p 1, 7
Special music, performed by Hattie Clark, guest of Rep. Higdon - p 1

Memorials

Shumate, James Lee, memorializing - HR 5

JOURNAL
OF THE
HOUSE OF REPRESENTATIVES
OF THE
GENERAL ASSEMBLY
OF THE
COMMONWEALTH OF KENTUCKY
SECOND EXTRAORDINARY SESSION
OF 2007

MONDAY, AUGUST 20, 2007
FIRST LEGISLATIVE DAY

At an Extraordinary Session of the General Assembly of the Commonwealth of Kentucky, held at the Capitol in the City of Frankfort, and begun on August 20, 2007, the two hundredth and seventeenth year of the Commonwealth, in compliance with a Proclamation issued by the Governor of the Commonwealth of Kentucky, the Honorable Ernie Fletcher, Governor, the House of Representatives was called to order by the Honorable Jody Richards, Speaker of the House of Representatives.

Prayer was offered by Dr. Robert A. Strode, St. John African Methodist Church, Frankfort, Kentucky.

The Speaker led the members in the Pledge of Allegiance to the Flag.

The Clerk read the following Governor's Proclamation:

Pursuant to the power vested in me by Section 80 of the Constitution of the Commonwealth of Kentucky, I, Ernie Fletcher, Governor, do issue this Proclamation convening the Kentucky General Assembly in Extraordinary Session at the Seat of Government, Frankfort, Kentucky, at 4:00 p.m. (EDT), Monday, August 20, 2007, for the sole purpose of considering the following subjects:

Advancing the Commonwealth's energy policy by creating economic development and educational incentives to encourage an increase in the production and use of alternative fuels and renewable energy resources, promoting energy conservation, environmental stewardship and increased energy efficiency in Kentucky, reorganizing energy related functions of the Executive Branch of the Commonwealth and increasing research on energy related issues for the purpose of decreasing the Commonwealth's and the nation's dependence on foreign sources of energy and making appropriations therefor and declaring an emergency.

The members of the General Assembly will, therefore, assemble in accordance with this Proclamation at the Seat of Government at Frankfort, Kentucky, in Extraordinary Session on the day and date above written, to act upon the subjects herein specified, and upon no other subjects.

DONE AT THE CAPITOL, in the city of Frankfort, on this the 17th day of August in the year of our Lord Two Thousand and Seven and in the year of the Commonwealth Two Hundred and Sixteen.

/s/ Ernie Fletcher, Governor

Commonwealth of Kentucky

/s/ Trey Grayson

Secretary of State

Speaker Richards directed that the Journal reflect that the membership of the House of Representatives is the same as that of the 2007 Regular Session.

The roll was called. All members were present except Representatives Farmer, Higdon, Kerr, Meeks, Wuchner, Moore, and Hoover.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording on the next legislative day to do so if they have filed the proper papers with the clerk. Agreed.

Introduction of Bills and Resolutions

HB 1, by Representatives Adkins, Richards, Hoffman, Clark, Wilkey, Combs, McKee, A. Smith, Webb, Moberly, Yonts, Ballard, Spencer, Cherry, Glenn, Hall, Henderson, Tilley, Nesler, Edmonds, Collins, and Arnold: AN ACT relating to the advancement of energy policy, science, technology, and innovation in the Commonwealth, making an appropriation therefor, and declaring an emergency.

HR 1, by Representative Adkins: A RESOLUTION adopting the Rules of Procedure for the 2007 Second Extraordinary Session of the House.

HR 2, by Representative Adkins: A RESOLUTION extending an invitation to the pastors of Frankfort churches to open sessions of the 2007 Second Extraordinary Session with prayer.

Representative Adkins moved to suspend the rules to act on **HR 1** and **HR 2**. Agreed.

Representative Adkins moved the adoption of the following **HR 1**:

HR 1, A RESOLUTION adopting the Rules of Procedure for the 2007 Second Extraordinary Session of the House.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The Rules governing the House immediately prior to sine die adjournment of the 2007 Regular Session of the House are adopted as the Rules governing the 2007 Second Extraordinary Session of the House.

There being no objection, **HR 1** was adopted.

Representative Adkins moved the adoption of the following **HR 2**:

HR 2, A RESOLUTION extending an invitation to the pastors of Frankfort churches to open sessions of the 2007 Second Extraordinary Session with prayer.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The Sergeant-at-Arms is directed to invite the pastors of the various churches in Frankfort to attend the meetings of the House of Representatives and open daily sessions of the 2007 Second Extraordinary Session with prayer.

There being no objection, **HR 2** was adopted.

Representative Adkins moved to suspend the rules to allow the Committee on Committees to meet at the Speaker's podium. Agreed.

Speaker Richards called the House to order.

Reference of Bills and Resolutions

The Clerk reported that the Committee on Committees has referred the following Bills and Resolutions:

Appropriations and Revenue: **HB 1**

Representative Adkins moved to suspend the rules and to waive the posting requirement on all introduced Bills and Resolutions. Agreed.

Representative Adkins moved to recess for fifteen minutes for a Committee on Appropriations and Revenue meeting in the Speaker's Office. Agreed.

Recess

Speaker Richards resumed the chair.

Report of Committees

The Committee on Appropriations and Revenue reported **HB 1** with the expression of opinion that the same should pass. Read at length for the first time and ordered placed in the Calendar.

HB 1, AN ACT relating to the advancement of energy policy, science, technology, and innovation in the Commonwealth, making an appropriation therefor, and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. SUBCHAPTER 27 OF KRS CHAPTER 154 IS ESTABLISHED AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

As used in this subchapter:

(1) "Activation date" means the date on which an approved company begins incurring recoverable costs or engaging in recoverable activity pursuant to the tax incentive agreement. The activation date shall be set forth in the tax incentive agreement and shall be a date within five (5) years of the date of final approval of the tax incentive agreement. The authority may extend the five (5) year period to no more than seven (7) years upon written application for an extension by the approved company. To implement the activation date, the approved company shall notify the authority of its intent to activate the tax incentives authorized in the tax incentive agreement. The activation date shall apply to all incentives included in the tax incentive agreement regardless of whether the approved company has met the requirements to receive all incentives at that time. If the approved company does not implement the activation date before the date established in the tax incentive agreement, the activation date shall be the date established in the tax incentive agreement;

(2) "Affiliate" has the same meaning as in KRS 154.22-010;

(3) (a) "Alternative fuel facility" means a facility located in Kentucky that is newly constructed on or after the effective date of this Act, or an existing facility located in Kentucky that is retrofitted or upgraded on or after the effective date of this Act, and that, after the new construction, retrofit, or upgrade primarily produces for sale alternative transportation fuels. For a retrofit of an existing facility, the new modification or addition within the facility shall primarily produce alternative transportation fuel for sale.

(b) The alternative fuel facility may produce electricity as a by-product if the primary purpose for which the facility is constructed, retrofitted, or upgraded, and the primary function of the facility remains the production and sale of alternative transportation fuels;

(4) "Alternative transportation fuels" has the same meaning as in Section 38 of this Act;

(5) "Approved company" means a corporation, limited liability company, partnership, registered limited liability partnership, sole proprietorship, business trust, or any other entity approved for incentives for an eligible project;

(6) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;

(7) "Base amount" means the tons of coal purchased and used or severed and used by the approved company as feedstock for an eligible project during the twelve (12) months prior to the month in which the approved company first begins receiving incentives under Sections 6 and 11 of this Act, that were subject to the tax imposed by KRS 143.020;

(8) "Biomass resources" has the same meaning as in Section 38 of this Act;

(9) (a) "Capital investment" means:

1. Obligations incurred for labor and to contractors, subcontractors, builders, and materialmen in connection with the acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project;

2. The cost of acquiring land or rights in land and any cost incident thereto, including recording fees;

3. The cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project which is not paid by the contractor or otherwise provided;

4. All costs of architectural and engineering services, including test borings, surveys, estimates, plans, specifications, preliminary investigations, supervision of construction, and the performance of all the duties required by or consequent upon the acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project;

5. All costs required to be paid under the terms of any contract for the acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project; and

6. All other costs of a nature comparable to those described in this subsection.

(b) "Capital investment" does not include costs described in paragraph (a) of this subsection that are paid for with funds received from the federal government or that are reimbursed by the federal government;

(10) "Carbon capture ready" means planning for or anticipating capture of carbon dioxide in a manner to facilitate continued operation of the facility in compliance with applicable federal requirements;

(11) "Center for Applied Energy Research" means the University of Kentucky Center for Applied Energy Research;

(12) "Commonwealth" means the Commonwealth of Kentucky;

(13) "Construction period" means the period beginning with the activation date of the eligible project and ending on a date set forth in the tax incentive agreement, which shall be no later than five (5) years from the activation date;

(14) "Department" means the Department of Revenue;

(15) "Eligible project" means:

(a) An alternative fuel facility or a gasification facility meeting the investment requirements of Section 2 of this Act; or

(b) A renewable energy facility meeting the investment requirements of Section 2 of this Act;

(16) "Estimated labor component" means the projected percentage of the total capital investment attributable to labor;

(17) (a) "Facility" means a single location within the Commonwealth at which machinery and equipment are used in a manufacturing process that transforms raw materials into a product with commercial value.

1. The facility shall include the physical plant structure where the manufacturing process occurs and machinery and equipment within the physical plant structure.

2. The facility may include:

a. On-site machinery and equipment used exclusively for processing coal or other raw materials for use in the manufacturing process at the facility;

b. For an alternative fuel facility or gasification facility, on-site power station operations, if those operations are primarily used to produce electricity for the facility;

c. On-site refining operations, if those operations are used exclusively to refine and blend fuels produced by the facility; and

d. The in-state portion of a pipeline, including appurtenant facilities, property rights, and easements, if the exclusive purpose of the pipeline is to transport carbon dioxide from the facility to a point of sale or storage.

(b) "Facility" shall not include any mining operations;

(18) "Gasification process" means a process that converts any carbon-containing material into a synthesis gas composed primarily of carbon monoxide and hydrogen;

(19) (a) "Gasification facility" means a facility located in Kentucky that is newly constructed on or after the effective date of this Act, or an existing facility located in Kentucky that is retrofitted or upgraded on or after the effective date of this Act, and that, after the new construction, retrofit, or upgrade, primarily produces for sale:

1. Alternative transportation fuels;

2. Synthetic natural gas;

3. Chemicals;

4. Chemical feedstocks; or

5. Liquid fuels;

from coal, waste coal, or biomass resources, through a gasification process. For a retrofit of an existing facility, the new modification or addition within the facility shall primarily produce one (1) or more of the products set forth in this paragraph;

(b) The gasification facility may produce electricity as a by-product if the primary purpose for which the facility is constructed, retrofitted, or upgraded, and the primary function of the facility remains the production and sale of alternative transportation fuels, synthetic natural gas, chemicals, chemical feedstocks, or liquid fuels;

(20) "Kentucky gross profits" shall have the same meaning as in Section 12 of this Act;

(21) "Kentucky gross receipts" shall have the same meaning as in Section 12 of this Act;

(22) "Office" means the Governor's Office of Energy Policy created by Section 37 of this Act;

(23) "Post-construction incentives" means the incentives available under Sections 6 and 8 of this Act;

(24) "Renewable energy facility" means a facility located in Kentucky that is newly constructed on or after the effective date of this Act, or an existing facility located in Kentucky that is retrofitted or upgraded after the effective date of this Act, and that, after the new construction, retrofit, or upgrade, utilizes:

(a) Wind power, biomass resources, landfill methane gas, hydropower, or other similar renewable resources to generate electricity in excess of one (1) megawatt for sale to unrelated entities; or

(b) Solar power to generate electricity in excess of fifty (50) kilowatts for sale to unrelated entities.

For a retrofit of an existing facility, the modification or addition shall primarily result in the production of electricity as described in paragraph (a) or (b) of this subsection;

(25) "Resident" shall have the same meaning as in KRS 141.010;

(26) "Retrofit" means a modification or addition to an existing facility that results in the production of a new and different product or uses a new or different process to produce the same product at the facility. Modifications or additions to a facility that maintain, restore, mend, or repair a facility shall not be considered a retrofit of the facility, and shall not be considered part of the capital investment if undertaken at the same time as a retrofit;

(27) "Synthetic natural gas" has the same meaning as in Section 38 of this Act;

(28) "Tax incentive agreement" means an agreement entered into in accordance with Section 4 of this Act;

(29) "Termination date" means a date established by the tax incentive agreement that is no more than twenty-five (25) years from the activation date; and

(30) "Upgrade" means an investment in an existing facility that results in an increase in the productivity of the facility. Increased productivity shall be measured in relation to the type of products that are required to be produced by that facility to be an eligible project.

SECTION 2. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) This subchapter shall be known as the "Incentives for Energy Independence Act."

(2) The General Assembly hereby finds and declares that it is in the best interest of the Commonwealth to induce the location of innovative energy-related businesses in the Commonwealth in order to advance the public purposes of achieving energy independence, creating new jobs and new investment, and creating new sources of tax revenues that but for the inducements to be offered by the authority to approved companies would not exist.

(3) The purpose of this subchapter is to assist the Commonwealth in moving to the forefront of national efforts to achieve energy independence by reducing the Commonwealth's reliance on imported oil. The provisions of this subchapter seek to accomplish this purpose by providing incentives for companies that, in a carbon capture ready manner, construct, retrofit, or upgrade facilities for the purpose of:

(a) Increasing the production and sale of alternative transportation fuels;

(b) Increasing the production and sale of synthetic natural gas, chemicals, chemical feedstocks, or liquid fuels, from coal, biomass resources, or waste coal through a gasification process; or

(c) Generating electricity for sale through alternative methods such as solar power, wind power, biomass resources, landfill methane gas, hydropower, or other similar renewable resources.

(4) To qualify for the incentives provided in this subchapter, the following requirements shall be met:

(a) For an alternative fuel facility or gasification facility that uses coal as the primary feedstock the minimum capital investment shall be at least one hundred million dollars ($100,000,000);

(b) For an alternative fuel facility or gasification facility that uses biomass resources as the primary feedstock, the minimum capital investment shall be twenty-five million dollars ($25,000,000); and

(c) For a renewable energy facility, the minimum capital investment shall be one million dollars ($1,000,000).

(5) The incentives under the Incentives for Energy Independence Act are as follows:

(a) An advanced disbursement of post-construction incentives for which an approved company has been approved, the maximum amount of which is based upon the estimated labor component of the total capital investment of the eligible project, and the utilization of Kentucky residents during the construction period as set forth in Section 9 of this Act.

(b) Sales and use tax incentives of up to one hundred percent (100%) of the taxes paid on purchases of tangible personal property made to construct, retrofit, or upgrade an eligible project, as set forth in Sections 7 and 10 of this Act;

(c) Up to eighty percent (80%) of the severance taxes paid on the purchase or severance of coal that is subject to the tax imposed under KRS 143.020 and that is specifically used by an alternative fuel facility or a gasification facility as feedstock for an eligible project, as set forth in Sections 6 and 11 of this Act;

(d) Up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.040 or 141.020, and the limited liability entity tax imposed under KRS 141.0401 on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the eligible project, as set forth in Sections 8 and 12 of this Act; and

(e) Authorization for the approved company to impose a wage assessment of up to four percent (4%) of the gross wages of each employee subject to the Kentucky income tax:

1. Whose job was created as a result of the eligible project;

2. Who is employed by the approved company to work at the facility; and

3. Who is on the payroll of the approved company or an affiliate of the approved company;

as set forth in Section 8 of this Act.

(6) The maximum recovery from all incentives approved under this subchapter for an eligible project shall not exceed fifty percent (50%) of the capital investment in the eligible project.

(7) The incentives available to an approved company shall be negotiated with and approved by the authority.

(8) If a newly constructed facility that qualifies for incentives under this subchapter is later upgraded or retrofitted in a manner that would qualify for incentives under this subchapter, the retrofit or upgrade shall be a separate eligible project, and the minimum investment requirements and carbon capture readiness requirements if required, shall be met for the retrofit or upgrade to qualify for incentives under this subchapter.

(9) The General Assembly finds that the authorities granted by this subchapter are proper governmental and public purposes for which public moneys may be expended.

SECTION 3. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) A company with an eligible project may submit an application for incentives to the authority prior to making any capital investment it will seek to recover.

(2) The application shall include:

(a) The name of the applicant and identification of any affiliates of the applicant;

(b) The type of eligible project;

(c) A description of the location;

(d) A full description of the eligible project scope, including but not limited to:

1. A list and the status of permits, certificates, or approvals required by the federal government, the Commonwealth, or any jurisdiction within the Commonwealth;

2. A description of the carbon capture readiness of the facility if the proposed eligible project is an alternative fuel facility or a gasification facility;

3. Any feasibility studies, including supporting documents;

4. Anticipated sources of eligible project funding;

5. The total anticipated capital investment and the time period over which the capital investment will occur;

6. The proposed feedstock and the estimated volume of feedstock use per year;

7. A description of the proposed products to be produced by the facility, and the process that will be used to produce the products;

8. The planned capacity of the facility after construction, retrofit, or upgrade;

9. The estimated output of the facility upon completion; and

10. A plan for and description of how the company will employ Kentucky residents at the facility, and how the company will insure that workers employed during construction, retrofit, or upgrade of the facility are Kentucky residents. The plan shall include projected numbers;

(e) Identification of the specific incentives sought;

(f) Payment of any applicable application fees required by the authority to offset reasonable costs of reviewing and processing the application; and

(g) Other information as required by the authority.

(3) The authority shall forward the application to the department and the office for review and comment with a date by which comments shall be provided back to the authority. The authority may forward the application to the Center for Applied Energy Research for review and comment as well.

(4) (a) The authority shall review the application and shall verify that:

1. The applicant has met all of the statutory and regulatory requirements established by this subchapter and regulations promulgated thereunder;

2. The applicant has secured or is in the process of securing all necessary permits, certificates, or approvals required by the federal government, the Commonwealth, or any jurisdiction within the Commonwealth;

3. The proposed facility is carbon capture ready, if the proposed facility is an alternative fuel facility or gasification facility;

4. The company has a plan that includes a projected number of Kentucky residents that will be employed during the construction, retrofit, or upgrade of the facility and at the facility upon completion; and

5. Any other requirements established by the authority.

(b) The department shall review the application and shall verify that the company seeking approval and all affiliate companies are in good standing with the department.

(c) The authority may engage the services of outside consultants to assist in the review of the application. Costs associated with the engagement of outside consultants shall be borne by the applicant.

(5) (a) Upon the earlier of:

1. The receipt of comments and recommendations from the office, the department, and the Center for Applied Energy Research, if applicable; or

2. The expiration of the time period established by the authority for receiving comments pursuant to subsection (3) of this section;

the authority may, through the adoption of a resolution, preliminarily approve an applicant for incentives under this subchapter.

(b) Preliminary approval shall be based upon representations of the applicant in the application and attachments as well as other information submitted with the application. The authority shall make a finding that, based upon the applicant's representations, the project appears to be eligible for incentives pursuant to this subchapter.

(c) Prior to final approval:

1. The applicant shall:

a. Provide all supportive data requested by the authority;

b. Secure all required permits or take appropriate steps to do so; and

c. Cooperate with the authority to obtain opinions or recommendations from any outside consultants; and

2. The authority shall, in consultation with the office or any other entity, verify the representations of the applicant.

(d) 1. A preliminarily approved company seeking an advance disbursement employment incentive under Section 9 of this Act shall, prior to receiving final approval from the authority, provide to the authority a labor market analysis prepared by a public postsecondary education institution in the Commonwealth with knowledge of the labor market in the region in which the eligible project will be located.

2. The labor market analysis shall evaluate the construction market in the region where the proposed project is to be located and the estimated labor component of the proposed project. The public institution of postsecondary education may consult with the Center for Applied Energy Research or the office in determining the types of laborers required for the construction, retrofit, or upgrade of the eligible facility.

3. The labor market analysis shall include an estimate of the percentage of the estimated labor component that constitutes wages to be paid to Kentucky residents.

(e) Based upon all of the information available, the authority may, through adoption of a resolution, give its final approval and authorize the execution of a tax incentive agreement to be negotiated pursuant to the provisions of Section 4 of this Act.

(6) The authority may request any materials and make any inquiries concerning an application that the authority deems necessary.

(7) The actual capital investment that may be recovered and percentages of each incentive that an approved company may receive shall be negotiated between the approved company and the authority and shall not exceed the limitations established by Section 2 of this Act.

(8) The General Assembly recognizes that the incentives offered under this subchapter include the possibility of the release of incentives to approved companies prior to construction completion, and that the release of these incentives may present more risk for the Commonwealth. The authority is directed to consider the possible increased risk to the Commonwealth when negotiating tax incentive agreements that include incentives prior to construction completion, and to incorporate repayment or similar remedy provisions in the tax incentive agreement to the extent the authority determines such provisions are necessary to protect the investment made by the Commonwealth if the approved company fails to comply with the terms of the agreement.

(9) The authority and the approved company shall enter into a tax incentive agreement in accordance with Section 4 of this Act.

(10) The authority, with input from the office and the department, shall establish additional standards and requirements for the application process through the promulgation of administrative regulations in accordance with KRS Chapter 13A. The standards shall include but not be limited to the creditworthiness of eligible companies and the likelihood of economic success of the economic development project.

SECTION 4. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

The terms and conditions of the tax incentive agreement shall be negotiated between the authority and the approved company. The tax incentive agreement shall include but not be limited to the following provisions:

(1) The duties and responsibilities of the parties;

(2) The specific identification of incentives included in the tax incentive agreement, including the permissible percentage recovery under each included incentive;

(3) A detailed description of the eligible project, including an estimate of the capital investment;

(4) If the eligible project is an alternative fuel facility or a gasification facility, a requirement that the facility be carbon capture ready;

(5) The minimum capital investment required and the maximum capital investment that may be recovered;

(6) The time within which the minimum capital investment shall be made;

(7) The activation date and the termination date. The agreement shall commence on the activation date and shall terminate upon the earlier of full receipt of the maximum amount of incentives by the approved company or twenty-five (25) years from the activation date;

(8) A target percentage of the workforce that is Kentucky residents during the construction, retrofit, or upgrade of the facility, and at the facility upon completion of construction;

(9) If the wage assessment permitted by Section 8 of this Act is included, the percentage rate at which the assessment shall be imposed;

(10) If the advanced disbursement employment incentive permitted by Section 9 of this Act is included:

(a) The estimated labor component and the estimated Kentucky resident factor as determined under Section 9 of this Act;

(b) A schedule for the disbursement of funds during the construction period;

(c) A provision that requires a reduction or adjustment in the receipt of post-construction incentives for which the approved company is eligible under the tax incentive agreement until the advance disbursement has been repaid by the approved company; and

(d) A repayment schedule that includes the amount of reduction, the incentives the reduction shall apply to, the amount of interest due, the time period over which the advanced disbursement amount shall be recouped, and the amount that shall be recouped in each year. To the extent possible, the repayment schedule shall include uniform incremental payments;

(11) That the approval of the company is not a guarantee of incentives and that actual receipt of the incentives shall be contingent on the approved company filing the required requests for incentives and meeting the requirements established by the tax incentive agreement and by Sections 6, 7, 8, 9, 10, 11, and 12 of this Act, as the case may be;

(12) That the approved company shall provide the authority with documentation of capital expenditures in a manner acceptable to the authority;

(13) Negotiated terms relating to repayment or similar remedies for incentives received prior to the completion of construction if the approved company fails to comply with the terms of the agreement;

(14) That, if the authority determines that the approved company has failed to comply with any of its obligations under the tax incentive agreement:

(a) The authority shall have the right to suspend the tax credits available to the approved company;

(b) Both the authority and the department shall have the right to pursue any remedy provided under the tax incentive agreement;

(c) The authority may terminate the tax incentive agreement; and

(d) Both the authority and the department may pursue any other remedy at law to which it may be entitled;

(15) A requirement that the authority monitor the tax incentive agreement;

(16) A requirement that the approved company provide to the authority the information necessary to monitor the tax incentive agreement and authorization for the authority to share that information with the department, the office, or any other entity the authority determines is necessary for the purposes of monitoring and enforcing the terms of the tax incentive agreement; and

(17) Any other provisions not inconsistent with this subchapter and determined to be necessary or appropriate by the parties to the tax incentive agreement.

SECTION 5. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) (a) The department may release to an approved company any sales tax incentives under Sections 7 and 10 of this Act after review of the request for incentives required by Section 10 of this Act and determination of the amount

due regardless of whether the minimum capital investment has been made as required by the tax incentive agreement.

(b) For all other incentives available under this subchapter, the authority shall determine that the minimum capital investment has been made as required by the tax incentive agreement prior to the release of any incentives.

(2) The authority shall monitor all tax incentive agreements. The authority may seek assistance from the office, the department, the Center for Applied Energy Research, or other entities or individuals in performing its monitoring functions.

(3) The department shall track the amount of revenues released and incentives received for each eligible project under each tax incentive agreement, and shall provide the authority the information upon request.

(4) On or before December 1, 2008, and every December 1 thereafter, the authority and the department shall jointly prepare a report for the Legislative Research Commission. The report shall include a list of all companies with which tax incentive agreements have been entered into and a summary of the terms of each agreement, including the type of facility approved, product to be produced, estimated output upon completion, required minimum capital investment and maximum recovery, incentives approved by type of tax and amount, activation date, and termination date.

SECTION 6. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) Notwithstanding any other provision of KRS 134.580 or Chapter 143, an approved company that purchases or severs coal that:

(a) Is subject to the tax imposed under KRS 143.020; and

(b) Is used by the approved company exclusively as feedstock for an alternative fuel facility or a gasification facility;

may be eligible for an incentive in an amount up to eighty percent (80%) of the taxes paid pursuant to KRS 143.020 on coal purchased or severed by the approved company that is above the base amount.

(2) An approved company that has purchased or severed coal subject to the tax imposed under KRS 143.020 prior to the execution of a tax incentive agreement shall not create an affiliate, subsidiary, corporation, or other related entity that would result in a base amount of zero (0).

(3) The incentive may be requested beginning in the first calendar year after the construction of a new facility or the upgrade or retrofit of an existing facility is completed.

(4) Upon completion of the construction of a new alternative fuel facility or gasification facility or the retrofit or upgrade of an existing facility, an approved company shall notify the authority and the department.

(5) The approved company may obtain the incentive on an annual basis by filing a request for the incentive with the department as provided in Section 11 of this Act.

(6) The department shall notify the authority of the incentives requested and the incentives distributed, upon request of the authority.

SECTION 7. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) Notwithstanding KRS 134.580(3) and 139.770, on or after January 1, 2008, an approved company is eligible for an incentive in an amount up to one hundred percent (100%) of the Kentucky sales and use tax paid, reduced by the vendor compensation provided under KRS 139.570, on the purchase of tangible personal property, including but not limited to materials, machinery, and equipment used to construct, retrofit, or upgrade an eligible project.

(2) The incentive shall not include tangible personal property purchased before the activation date, or purchases of operating supplies, or repair, replacement, or spare parts as defined in KRS 139.170.

(3) Upon the activation date, an approved company shall be eligible for the incentive offered under this section. The approved company shall file a request for the incentive payment with the department as provided in Section 10 of this Act.

(4) The incentive provided in this section shall expire upon the completion of the construction, retrofit, or upgrade of the eligible project, or five (5) years from the activation date, whichever is earlier.

SECTION 8. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

An approved company is eligible for income tax-related incentives as follows:

(1) A credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.040 or 141.020, and the limited liability entity tax imposed under KRS 141.0401 that would otherwise be owed by the approved company to the Commonwealth for the approved company's tax year, on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the eligible project, with the ordering of credits as provided in KRS 141.0205.

(a) The credit allowed the approved company shall be applied against both the income tax imposed by KRS 141.020 or 141.040, and the limited liability entity tax imposed by KRS 141.0401, with credit ordering as provided in KRS 141.0205, for the tax year for which the tax return of the approved company is filed.

(b) The approved company shall not be required to pay estimated tax payments as prescribed in KRS 141.042 on the Kentucky taxable income, Kentucky gross receipts, or Kentucky gross profits generated by or arising from the eligible project.

(c) The credit provided by this subsection shall be determined as provided in Section 12 of this Act.

(2) The approved company or, with the authority's consent, an affiliate of the approved company may require that each employee subject to the state income tax imposed by KRS 141.020, as a condition of employment, agree to pay an assessment of up to four percent (4%) of his or her gross wages. The assessment shall be uniform against all employees against whom it is assessed and shall be imposed at a percentage rate that is negotiated as part of the tax incentive agreement.

(a) 1. The assessment may be imposed against each employee:

a. Whose job was created as a result of the eligible project;

b. Who is employed by the approved company to work at the facility; and

c. Who is on the payroll of the approved company, or with the authority's consent, is on the payroll of an affiliate of the approved company.

2. Construction workers, employees of the approved company directly employed in the construction, retrofit, or upgrade of the eligible facility, contract workers, and leased workers shall not be considered employees of the approved company for purposes of the assessment permitted by this subsection.

(b) Each employee so assessed shall be entitled to credits against Kentucky income tax equal to the assessment withheld from wages during the calendar year as provided by Sections 12 and 13 of this Act.

(c) An approved company that elects to impose the assessment as a condition of employment is authorized to deduct the assessment from each paycheck of each employee.

(d) The approved company shall provide to the authority the information necessary to monitor the tax incentive agreement and the authorization for the authority to share the information with the department as necessary for purposes of enforcing the terms of the tax incentive agreement.

(e) Any assessment imposed pursuant to this subsection shall permanently expire upon termination or expiration of the tax incentive agreement.

SECTION 9. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) An approved company shall be eligible for the advance disbursement of a portion of the post-construction period incentives for which it has been approved. The amount of the advance disbursement shall be based on the employment of Kentucky residents during the construction of the facility, shall be negotiated with the authority as part of the tax incentive agreement, and shall not exceed the limitations established by this section.

(2) The authority shall compute the maximum amount of the advance disbursement employment incentive as follows:

(a) The base amount shall equal the total capital investment specified in the tax incentive agreement multiplied by the labor intensity factor as determined in paragraph (c) of this subsection;

(b) The base amount shall then be multiplied by the Kentucky resident factor as determined in paragraph (d) of this subsection. The resulting amount shall be the maximum advanced disbursement employment incentive that the authority may approve;

(c) The labor intensity factor shall be:

1. Twenty-five percent (25%), if the estimated labor component for the eligible project is greater than thirty percent (30%) of the total capital investment;

2. Twenty percent (20%,) if the estimated labor component for the eligible project is greater than twenty-five percent (25%) but less than or equal to thirty percent (30%) of the total capital investment; or

3. Fifteen percent (15%), if the estimated labor component for the eligible project is equal to or less than twenty-five percent (25%) of the total capital investment; and

(d) The Kentucky resident factor shall be four percent (4%) multiplied by a fraction, the numerator of which shall be the estimated total gross wages that will be paid to Kentucky residents who are working on the construction, retrofit, or upgrade of the eligible project, and the denominator of which shall be the estimated total gross wages that will be paid to all workers working on the construction, retrofit, or upgrade of the eligible project.

(3) The tax incentive agreement shall include a schedule for the disbursement of the advance disbursement employment incentive during the construction period. In negotiating the disbursement schedule, the authority shall consider the possible increased risk to the Commonwealth associated with the disbursement of funds prior to construction completion.

(4) (a) The approved company shall repay the advance disbursement through a reduction in the post-construction period incentive amounts it would otherwise receive. The amount by which the post-construction period incentive amounts are reduced shall be applied as a credit against the amount owed by the approved company.

(b) The amount of the annual reduction, the incentives the reduction shall apply to, interest due, and the time period over which the advanced disbursement amount shall be recouped shall be negotiated between the authority and the approved company as part of the tax incentive agreement.

(c) The repayment schedule included in the tax incentive agreement shall require uniform incremental payments, to the extent possible, and shall continue until the entire advance disbursement amount has been repaid by the approved company.

(d) The total post-construction incentive payments for which an approved company is eligible shall be tracked by the department. That portion of the incentive amounts identified in the tax incentive agreement as being devoted to the repayment of the advance disbursement amount shall be credited against the balance due from the approved company and shall not be paid to or retained by the approved company.

(e) The department shall forward the amounts credited to the repayment of the advance disbursement amount to the Cabinet for Economic Development, Department of Financial Incentives for deposit in the Energy Projects Economic Development Bond Pool.

(f) During the period for which any portion of the post-construction incentive payments are being credited toward the advance disbursement amount, the approved company shall, at the direction of the authority or the department, file all required requests for incentives, submit all required remittances, make all required tax payments, and provide to the department and the authority any information that would normally be required for the approved company to receive the incentives.

(5) The authority may, for purposes of administering the provisions of this section, solicit information or consultation from one (1) or more of the following sources:

(a) The office;

(b) The Center for Applied Energy Research;

(c) The Department for Workforce Investment; or

(d) Any public postsecondary education institution within the Commonwealth.

SECTION 10. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Approved company" has the same meaning as in Section 1 of this Act;

(b) "Authority" means the Kentucky Economic Development Finance Authority established under KRS 154.20-010;

(c) "Eligible project" has the same meaning as in Section 1 of this Act;

(d) "Tax incentive agreement" has the same meaning as in Section 1 of this Act.

(2) Notwithstanding any other provision of KRS 134.580 or this chapter, an approved company constructing, retrofitting, or upgrading an eligible project may be eligible for a sales tax incentive of up to one hundred percent (100%) of the Kentucky sales or use tax paid on tangible personal property purchased during the construction, retrofit, or upgrade of the eligible project as provided in Section 7 of this Act. The tangible personal property shall be incorporated into the eligible project to qualify for the sales tax incentive.

(3) The authority shall notify the department upon approval of an eligible project. The notification shall include the name of the eligible project, the name of the approved company, and the date on which the approved company is eligible to receive incentives under this section.

(4) (a) An approved company seeking an incentive under this section shall file a request for incentives within sixty (60) days following the end of the calendar year in which the activation date occurs. The request shall include all documentation relating to the payment of the sales and use tax.

(b) In subsequent years, the approved company shall file a request for incentives within sixty (60) days following the end of each calendar year.

(c) The approved company shall file a final request for incentives within sixty (60) days from the earlier of the completion of the construction, retrofit, or upgrade of the eligible project, or the five (5) year anniversary of the activation date.

(d) The request for incentives shall be in the form prescribed by the department through the promulgation of administrative regulations in accordance with KRS Chapter 13A.

(5) Interest shall not be allowed or paid on any sales tax incentive payment made under the provisions of this section.

(6) The sales tax incentive shall be reduced by the amount of vendor compensation allowed under KRS 139.570.

(7) The approved company seeking the sales tax incentive payment shall execute information-sharing agreements prescribed by the department with contractors, vendors, and other related parties to verify the costs of tangible personal

property eligible for the sales tax incentive payment under this section.

(8) The department shall notify the authority of the incentive distributed to each approved company upon request.

SECTION 11. A NEW SECTION OF KRS CHAPTER 143 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Alternative fuel facility" has the same meaning as in Section 1 of this Act;

(b) "Approved company" has the same meaning as in Section 1 of this Act;

(c) "Authority" has the same meaning as in Section 1 of this Act;

(d) "Base amount" has the same meaning as in Section 1 of this Act;

(e) "Capital investment" has the same meaning as in Section 1 of this Act;

(f) "Eligible project" has the same meaning as in Section 1 of this Act; and

(g) "Gasification facility" has the same meaning as in Section 1 of this Act.

(2) Notwithstanding any other provision of KRS 134.580 or this chapter, an approved company that purchases or severs coal that is subject to the tax imposed under KRS 143.020 and that is specifically used by the approved company as feedstock for an alternative fuel facility or gasification facility may qualify for an incentive under Section 6 of this Act.

(3) A company approved for incentives under Section 6 of this Act shall file a request for the incentive with the department within sixty (60) days of the completion of the construction, retrofit, or upgrade of the facility. In subsequent years, the approved company shall file a request for the incentive within sixty (60) days following the end of each calendar year. The request for incentives shall be in the form prescribed by the department through the promulgation of administrative regulations in accordance with KRS Chapter 13A. The request for incentives shall include but not be limited to the following information:

(a) Verification of the base amount;

(b) Verification of the tons of coal purchased and used or severed and used by the approved company as feedstock for an alternative fuel facility or gasification facility during the calendar year for which the request for incentives is being made;

(c) Verification that the required capital investment has been made;

(d) Verification of the output of coal-derived alternative transportation fuels, coal-derived synthetic natural gas, coal-derived liquid fuels, or other coal-derived chemicals or chemical feedstocks; and

(e) Any other information that the department may require.

(4) To assist in determining the amount of coal purchased and used or severed and used that is eligible for the incentive, the department shall obtain from the Center for Applied Energy Research a reasonable and typical estimate of the tons of coal needed to produce a given output of coal-derived alternative transportation fuels, coal-derived synthetic natural gas, coal-derived liquid fuels, or other coal-derived chemicals or chemical feedstocks, considering:

(a) The type of coal to be used;

(b) Equipment to be employed;

(c) Size and output of the facility;

(d) Slate of products produced; and

(e) Other characteristics of the alternative fuel facility or gasification facility.

(5) (a) The department and the authority shall review the request for incentives jointly and shall verify that the request for incentives meets all requirements established by statute and administrative regulation.

(b) The department shall verify the tax paid pursuant to KRS 143.020 on the coal purchased or severed by the approved company and used as feedstock for an alternative fuel facility or gasification facility during the calendar year for which the application was submitted, and shall determine the amount of the tax paid that qualifies for distribution to the approved company pursuant to this section.

(c) The incentive amount shall be distributed to the approved company in quarterly installments beginning on July 1 of the year following the calendar year for which the request for incentives required under this section was submitted.

(6) The approved company seeking incentives shall execute information-sharing agreements prescribed by the department with vendors from which it purchased coal to verify the value of coal purchased by the approved company and used as feedstock for an alternative fuel facility or gasification facility and the amount of tax paid under KRS 143.020 on such coal.

(7) The department shall notify the authority of the incentive distributed to each approved company upon request.

SECTION 12. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Approved company" has the same meaning as in Section 1 of this Act;

(b) "Eligible project" has the same meaning as in Section 1 of this Act;

(c) "Kentucky gross receipts" has the same meaning as in KRS 141.0401;

(d) "Kentucky gross profits" has the same meaning as in KRS 141.0401; and

(e) "Tax credit" means the tax credit allowed in Section 8 of this Act.

(2) An approved company shall compute the income tax credit as provided in this section.

(3) An approved company which is an individual sole proprietorship subject to tax under KRS 141.020 or a corporation or pass-through entity treated as a corporation for federal income tax purposes subject to tax under KRS 141.040(1) shall:

(a) 1. Compute the tax due at the applicable tax rates as provided by KRS 141.020 or 141.040 on net income as defined by KRS 141.010(11) or taxable net income as defined by KRS 141.010(14), including income from the eligible project;

2. Compute the limited liability entity tax imposed under KRS 141.0401, including Kentucky gross profits or Kentucky gross receipts from the eligible project; and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(b) 1. Compute the tax due at the applicable tax rates as provided by KRS 141.020 or 141.040 on net income as defined by KRS 141.010(11) or taxable net income as defined by KRS 141.010(14), excluding net income attributable to the eligible project;

2. Using the same method used under subparagraph 2. of paragraph (a) of this subsection, compute the limited liability entity tax imposed under KRS 141.0401, excluding Kentucky gross profits or Kentucky gross receipts from the eligible project; and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(c) The tax credit shall be the amount by which the net tax computed under paragraph (a)3. of this subsection exceeds the tax computed under paragraph (b)3. of this subsection; however, the credit shall not exceed the limits set forth in Section 2 of this Act.

(4) (a) Notwithstanding any other provisions of this chapter, an approved company which is a pass-through entity not subject to the tax imposed by KRS 141.040 or trust not subject to the tax imposed by KRS 141.040 shall be subject to income tax on the net income attributable to an eligible project at the rates provided in KRS 141.020(2).

(b) The amount of the tax credit shall be determined as provided in subsection (3) of this section. Upon the annual election of the approved company, in lieu of the tax credit, an amount shall be applied as an estimated tax payment equal to the tax computed in this section. Any estimated tax payment made pursuant to this paragraph shall be in satisfaction of the tax liability of the partners, members, shareholders, or beneficiaries of the pass-through entity or trust, and shall be paid on behalf of the partners, members, shareholders, or beneficiaries.

(c) The tax credit or estimated payment shall not exceed the limits set forth in Section 2 of this Act.

(d) If the tax computed in this section exceeds the tax credit, the difference shall be paid by the pass-through entity or trust at the times provided by KRS 141.160 for filing the returns.

(e) Any estimated tax payment made by the pass-through entity or trust in satisfaction of the tax liability of partners, members, shareholders, or beneficiaries shall not be treated as taxable income subject to Kentucky income tax by the partner, member, shareholder, or beneficiary.

(5) Notwithstanding any other provisions of this chapter, the net income subject to tax, tax credit, and estimated tax payment determined under subsection (4) of this section shall be excluded in determining each partner's, member's, shareholder's, or beneficiary's distributive share of net income or credit of a pass-through entity or trust.

(6) (a) Net income attributable to the project for the purposes of subsections (3), (4), and (5) of this section shall be determined under the separate accounting method reflecting only the gross income, deductions, expenses, gains, and losses allowed under KRS Chapter 141 directly attributable to the facility and overhead expenses apportioned to the facility; and

(b) Kentucky gross receipts or Kentucky gross profits attributable to the project for purposes of subsection (3) of this section shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

(7) If an approved company can show to the satisfaction of the department that the nature of the operations and activities of the approved company are such that it is not practical to use the separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility at which the eligible project is located, the approved company shall determine net income, Kentucky gross receipts, or Kentucky gross profits from the eligible project using an alternative method approved by the department.

(8) The department may promulgate administrative regulations and require the filing of forms designed by the department to reflect the intent of this section and Section 8 of this Act and the allowable income tax credit which an approved company may retain under this section and Section 8 of this Act.

Section 13. KRS 141.310 is amended to read as follows:

(1) Every employer making payment of wages on or after January 1, 1971, shall deduct and withhold upon the wages a tax determined under KRS 141.315 or by the tables authorized by KRS 141.370.

(2) If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which the wages are paid.

(3) If wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of wages by the employer during the calendar year, or the date of commencement of employment with the employer during the year, or January 1 of the year, whichever is the later.

(4) In determining the amount to be deducted and withheld under this section, the wages may, at the election of the employer, be computed to the nearest dollar.

(5) The tables mentioned in subsection (1) of this section shall consider the standard deduction.

(6) The department may permit the use of accounting machines to calculate the proper amount to be deducted from wages when the calculation produces substantially the same result as set forth in the tables authorized by KRS 141.370. Prior approval of the calculation shall be secured from the department at least thirty (30) days before the first payroll period for which it is to be used.

(7) The department may, by administrative regulations, authorize employers:

(a) To estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) To determine the amount to be deducted and withheld upon each payment of wages to the employee during the quarter as if the appropriate average of the wages estimated constituted the actual wages paid; and

(c) To deduct and withhold upon any payment of wages to the employee during the quarter the amount necessary to adjust the amount actually deducted and withheld upon the wages of the employee during the quarter to the amount that would be required to be deducted and withheld during the quarter if the payroll period of the employee was quarterly.

(8) The department may provide by regulation, under the conditions and to the extent it deems proper, for withholding in addition to that otherwise required under this section and KRS 141.315 in cases in which the employer and the employee agree to the additional withholding. The additional withholding shall for all purposes be considered tax required to be deducted and withheld under this chapter.

(9) Effective January 1, 1992, any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees the job assessment fee provided in KRS 154.24-110 may offset a portion of the fee against the Kentucky income tax required to be withheld from the employee under this section. The amount of the offset shall be four-fifths (4/5) of the amount of the assessment fee withheld from the employee or the Commonwealth's contribution of KRS 154.24-110(3) applies. If the provisions in KRS 154.24-150(3) or (4) apply, the offset, the offset shall be one hundred percent (100%) of the assessment.

(10) Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees an assessment provided in KRS 154.22-070 or KRS 154.28-110 may offset the fee against the Kentucky income tax required to be withheld from the employee under this section.

(11) Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees the job assessment fee provided in KRS 154.26-100 may offset a portion of the fee against the Kentucky income tax required to be withheld from the employee under this section. The amount of the offset shall be four-fifths (4/5) of the amount of the assessment fee withheld from the employee, or if the agreement under KRS 154.26-090(1)(f)2. is consummated, the offset shall be one hundred percent (100%) of the assessment fee.

(12) Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees the job development assessment fee provided in KRS 154.23-055 may offset a portion of the fee against the Kentucky income tax required to be withheld from the employee under this section. The amount of the offset shall be equal to the Commonwealth's contribution as determined by KRS 154.23-055(1) to (3).

(13) Any employer required by this section to withhold Kentucky income tax may be required to post a bond with the department. The bond shall be a corporate surety bond or cash. The amount of the bond shall be determined by the department, but shall not exceed fifty thousand dollars ($50,000).

(14) ***Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees an assessment provided in Section 8 of this Act may offset the assessment against the Kentucky income tax required to be withheld from the employee under this section.***

(15) The Commonwealth may bring an action for a restraining order or a temporary or permanent injunction to restrain or enjoin the operation of an employer's business until the bond is posted or the tax required to be withheld is paid or both. The action may be brought in the Franklin Circuit Court or in the Circuit Court having jurisdiction of the defendant.

Section 14. KRS 141.350 is amended to read as follows:

The amount deducted and withheld as tax under KRS 141.310 and 141.315 during any calendar year upon the wages of any individual and the amount of credit described in KRS 154.22-070(2), 154.23-055, 154.24-110, 154.24-150(3) and (4), 154.26-100(2),~~[or]~~ 154.28-110*, or Section 8 of this Act* shall be allowed as a credit to the recipient of the income against the tax imposed by KRS 141.020, for taxable years beginning in the calendar year. If more than one (1) taxable year begins in the calendar year, the amount shall be allowed as a credit against the tax for the last taxable year so beginning.

Section 15. KRS 42.4582 is amended to read as follows:

(1) There is hereby established in the State Treasury a fund entitled "Local Government Economic Development Fund." The fund may receive state appropriations, gifts, grants, and federal funds and shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallotted or unencumbered balances in the fund shall be invested as provided for in KRS 42.500(9). Income earned from the investments shall be prorated for grants to counties according to the allotment schedule set out in KRS 42.4592.

(2) *(a)* Moneys shall be transferred from the general fund *in*~~[into this fund according to the following schedule:~~

~~(a) Effective July 1, 1992, an amount equal to fifteen percent (15%) of the severance and processing taxes on coal collected annually;~~

~~(b) Effective July 1, 1993, an amount equal to eighteen percent (18%) of the severance and processing taxes on coal collected annually;~~

~~(c) Effective July 1, 1994, an amount equal to twenty-five percent (25%) of the severance and processing taxes on coal collected annually; and~~

~~(d) Effective July 1, 1995, and thereafter,~~] an amount equal to fifty percent (50%) of the severance and processing taxes on coal collected annually, unless otherwise amended by the budget bill.

(b) The transfers shall be made quarterly, based upon the revenue estimates prevailing at the time each quarterly transfer is due, except that the last quarterly transfer shall be made after the close of the fiscal year accounting records, and shall be adjusted to provide the balance of the annual transfer required by this subsection.

(c) The quarterly calculation and transfer of funds pursuant to~~[subsection (2)(d) of]~~ this section shall be made only after:

1. The quarterly installment of the annual nineteen million dollars ($19,000,000) allocation of coal severance tax revenues has been credited to the benefit reserve fund within the Kentucky Workers' Compensation Funding Commission as required by KRS 342.122*; and*

2. The quarterly installment of the annual amount from the prior calendar year allowed as an incentive to an approved company under the provisions of Sections 6 and 11 of this Act.

Section 16. KRS 42.4585 is amended to read as follows:

(1) A portion of each quarterly transfer of moneys provided for in KRS 42.4582 shall be transferred from the local government economic development fund into the local government economic assistance fund~~[according to the following schedule:~~

~~(a) Effective July 1, 1992, an amount equal to eighty percent (80%) of each quarterly transfer;~~

~~(b) Effective July 1, 1993, an amount equal to sixty-six and seven-tenths percent (66.7%) of each quarterly transfer;~~

~~(c) Effective July 1, 1994, an amount equal to forty-eight percent (48%) of each quarterly transfer; and~~

~~(d) Effective July 1, 1995, and thereafter, an amount equal to twenty-four percent (24%) of each quarterly transfer.~~

~~The transfers shall be made quarterly~~].

(2) The amount transferred annually from the local government economic development fund into the local government economic assistance fund under the provisions of subsection (1) of this section shall be not less than an amount equal to fifteen percent (15%) of the severance and processing taxes on coal collected annually.

(3) The quarterly calculation and transfer of funds pursuant to subsections (1) and (2) of this section shall be made only after:

(a) The quarterly installment of the annual nineteen million dollars ($19,000,000) allocation of coal severance tax revenues has been credited to the benefit reserve fund within the Kentucky Workers' Compensation Funding Commission as required by KRS 342.122*; and*

(b) The quarterly installment of the annual amount from the prior calendar year allowed as an incentive to an approved company under the provisions of Sections 6 and 11 of this Act.

SECTION 17. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

(1) "Energy efficiency project" means a project undertaken by a person engaged in manufacturing whereby the person purchases new or replacement machinery or equipment that reduces the consumption of energy or energy-producing fuels in the manufacturing process at a plant facility in this state by at least fifteen percent (15%) measured in

megawatts, gallons, or other measurable units of energy, while maintaining or increasing the number of units of production for that same period. For purposes of this section, "machinery or equipment" does not include:

(a) Windows, lighting, or other improvements to buildings; or

(b) Repair, replacement, and spare parts as defined in KRS 139.170.

(2) (a) The consumption reduction and the production rate shall be calculated by comparing the consumption and production rates during a twelve (12) month period immediately after the new or replacement machinery or equipment is placed in service with the consumption and production rates for the twelve (12) month period submitted with the application for preapproval as required in subsection (4) of this section.

(b) If the manufacturer believes that the method described in paragraph (a) of this subsection does not accurately reflect the reduction in energy or energy-producing fuels used in the manufacturing process, the manufacturer may submit additional information to the department for consideration.

(3) Notwithstanding KRS 134.580(3) and 139.770, a person engaged in manufacturing at a plant facility located in this state may apply for a refund equal to the amount of Kentucky sales or use tax paid on the purchase of new or replacement machinery or equipment for an energy efficiency project purchased on or after July 1, 2008, reduced by the amount of vendor compensation allowed under KRS 139.570.

(4) The manufacturer shall file an application for preapproval with the department, on a form provided by the department, prior to purchasing the new or replacement machinery or equipment that includes:

(a) A description of the new or replacement machinery or equipment;

(b) Documentation of the amount of energy or energy-producing fuels consumed in the twelve (12) month period prior to the application for preapproval; and

(c) Any other information the department may request.

(5) The department shall acknowledge receipt of the application for preapproval.

(6) The manufacturer shall file an application for incentives that includes documentation of:

(a) The achievement of the energy-efficiency standards required by subsection (1) of this section within eighteen (18) months from the time the machinery or equipment was placed in service; and

(b) Verification that the Kentucky sales and use tax was paid on the purchase of the new or replacement machinery or equipment.

(7) The burden of proof that the purchase of the machinery or equipment resulted in a decrease in the consumption of energy or energy-producing fuels shall be upon the applicant.

(8) Interest shall not be allowed or paid on any refund made under this section.

Section 18. KRS 141.0405 is amended to read as follows:

(1) There shall be allowed a nonrefundable credit against taxes imposed by the Commonwealth on any taxpayer that:

(a) 1. Is an electric power company ***subject to tax under*** ~~[as defined in]~~ KRS ***136.120*** ~~[Chapter 136];[or]~~

2. Is an entity that owns or operates a coal-fired electric generation plant; ***or***

3. Is an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act that has not been approved for incentives under Subchapter 27 of KRS Chapter 154;

(b) Remits tax to the Commonwealth under KRS 136.070, 136.120, 141.020, 141.040, or 141.0401; and

(c) Purchases coal subject to the tax imposed under KRS 143.020 that is used:

1. ~~[by the taxpayer, or by a parent company if the taxpayer is a wholly owned subsidiary,]~~For the purpose of generating electricity; ***or***

2. As feedstock for an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act;

by the taxpayers, or by a parent company if the taxpayer is a wholly owned subsidiary.

(2) The amount of the allowable credit shall be two dollars ($2) per each incentive ton of coal purchased that is subject to tax under KRS 143.020 and that is used to generate electric power ***or used as feedstock for an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act***.

(3) ***(a)*** Incentive tons are calculated as the tons of coal purchased in the current year for which coal severance tax was paid minus the tons of coal purchased and used during the base year.

(b) For an existing electric power company subject to tax under KRS 136.120 that expands operations to include an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act, the incentive tons for the expanded operation calculated in paragraph (a) of this subsection shall not include any coal subject to the incentives provided under Sections 6 and 11 of this Act.

(4) The base year amount shall be equal to:

(a) For entities existing on July 14, 2000, that meet the eligibility requirements imposed under subsection (1) of this section, the tons of coal purchased and used to generate electricity during the twelve (12) calendar months ending in December 31, 1999, that were subject to the tax imposed by KRS 143.020; or

(b) For entities that come into existence after July 14, 2000, that meet the eligibility requirements imposed under subsection (1) of this section, the base year amount shall be equal to zero (0). However, no company qualifying for the credit as of July 14, 2000, with a base year calculation as provided under subsection (4)(a) of this section may create an affiliate, subsidiary, or corporation that would qualify for a base year of zero (0).

(5) On or before March 15 of each year, a company eligible for the credit provided under subsection (2) of this section shall file a coal incentive credit claim on forms prescribed by the department~~[of Revenue]~~. At the time of filing for the credit, the taxpayer shall submit verification of the tons of coal purchased in the base year and the tons of coal purchased in the year for which the credit is being claimed. The department~~[of Revenue]~~ shall determine the amount of the eligible credit and issue a credit certificate to the taxpayer.

(6) The taxpayer shall be eligible to apply, subject to the conditions imposed under subsection (7) of this section, the amount identified on the credit certificate issued by the department~~[of Revenue]~~ under subsection (5) of this section, against the taxpayer's liability for the taxes, in consecutive order as follows:

(a) The credit shall first be applied against both the taxes imposed by KRS 141.020 or 141.040 and the tax imposed by KRS 141.0401, with the ordering of credits as provided in KRS 141.0205;

(b) The credit shall next be applied to the taxes imposed by KRS 136.070; and

(c) Any remaining credit shall be applied against the taxes imposed by KRS 136.120.

(7) The credit shall meet the entirety of the taxpayer's liability under the first tax listed in consecutive order under subsection (6) of this section before applying the remaining credit to the next tax listed in consecutive order. The taxpayer's total liability under each preceding tax must be fully met before the remaining credit can be applied to the subsequent tax listed in consecutive order.

(8) The taxpayer shall maintain records required in subsection (5) of this section for a period of five (5) years.

(9) Acceptable verification of coal purchased during the base year shall include invoices that indicate the tons of coal purchased from a Kentucky supplier of coal and proof of remittance for that purchase.

(10) The department~~[of Revenue]~~ shall develop the forms required under subsection (5) of this section, specifying the procedure for claiming the credit, and applying the credit against the taxpayer's liability in the order provided under subsections (6) and (7) of this section.

(11) The Governor's Office of Energy Policy established by Section 37 of this Act shall:

(a) 1. Certify that an alternative fuel facility for which a credit is being requested meets the definition as provided in Section 1 of this Act; or

2. Certify that a gasification facility for which a credit is being requested meets the definition as provided in Section 1 of this Act; and

(b) Notify the department of the certification.

(12) To assist in determining the amount of coal purchased and used that is eligible for the credit, the department shall obtain from the University of Kentucky Center for Applied Energy Research a reasonable and typical estimate of the tons of coal needed to produce a given output of coal-derived alternative transportation fuels, coal-derived synthetic natural gas, coal-derived liquid fuels, or other coal-derived chemicals or chemical feedstocks, considering:

(a) The type of coal to be used;

(b) Equipment to be employed;

(c) Size and output of the facility;

(d) Slate of products produced; and

(e) Other characteristics of the alternative fuel facility or gasification facility.

Section 19. KRS 141.0406 is amended to read as follows:

(1) Except in the case of an alternative fuel facility as defined in Section 1 of this Act, or a gasification facility as defined in Section 1 of this Act, the Coal Incentive Credit authorized under KRS 141.0405 shall be allowed for ten (10) consecutive years beginning on July 15, 2001.

(2) In the case of an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act, the Coal Incentive Credit authorized by Section 18 of this Act shall be allowed for tax periods beginning after December 31, 2008, and ending before January 1, 2021.

(3) Continuation of the credit authorized under this section shall require reauthorization by the General Assembly.

Section 20. KRS 141.422 is amended to read as follows:

As used in KRS 141.422 to 141.425:

(1) "Annual biodiesel tax credit cap" means:

(a) For taxable years ending prior to January 1, 2008, one million five hundred thousand dollars ($1,500,000);

(b) For taxable years beginning after December 31, 2007, and before January 1, 2009, five million dollars ($5,000,000); and

(c) For taxable years beginning on or after January 1, 2009, ten million dollars ($10,000,000);

(2) ***"Annual cellulosic ethanol tax credit cap" means five million dollars ($5,000,000), unless the annual cellulosic ethanol tax credit cap is modified pursuant to the provisions of Section 26 of this Act, in which case the cap established by Section 26 of this Act shall be the annual cellulosic ethanol tax credit cap for that year. Any adjustments to the annual cellulosic ethanol tax credit cap made pursuant to Section 26 of this Act shall be made on an annual basis and shall not carry forward to subsequent years;***

(3) "Annual ethanol tax credit cap" means five million dollars ($5,000,000), unless the annual credit cap is modified pursuant to the provisions of Section 26 of this Act, in which case the cap established by Section 26 of this Act shall be the annual ethanol tax credit cap for that year. Any adjustments to the annual ethanol tax credit cap made pursuant to Section 26 of this Act shall be made on an annual basis and shall not carry forward to subsequent years;

(4) "Biodiesel" means a renewable, biodegradable,~~[mono alkyl ester]~~ combustible liquid fuel ***that:***

(a) Is derived from ***biomass resources as defined in Section 38 of this Act; and***~~[agriculture plant oils or animal fats that]~~

(b) Meets ***current*** American Society for Testing and Materials specification ***D6751***~~[D6751-03]~~ for biodiesel fuel (B100) blend stock distillate fuels***, D396 for fuel oils intended for use in various types of fuel-oil-burning equipment; D945 for diesel fuel oils suitable for various types of diesel fuel engines; or D1655 for aviation turbine fuels***;

(5)~~[(3)]~~ "Biodiesel producer" means ***an entity***~~[a business]~~ that ***manufactures***~~[uses agricultural crops, agricultural residues, or waste products to manufacture]~~ biodiesel at a location in this Commonwealth;~~[and]~~

(6) "Cellulosic ethanol" means ethyl alcohol for use as motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol that is produced from cellulosic biomass materials of any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, including:

(a) Plant wastes from industrial processes such as sawdust and paper pulp;

(b) Energy crops grown specifically for fuel production such as switchgrass; or

(c) Agricultural plant residues such as corn stover, rice hulls, sugarcane, and cereal straws;

(7) "Cellulosic ethanol producer" means an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth;

(8)~~[(4)]~~ "Blended biodiesel" means a blend of biodiesel with petroleum diesel so that the percentage of biodiesel in the blend is at least two percent (2%) (B2 or greater)***;***

(9) "Ethanol" means ethyl alcohol produced from corn, soybeans, or wheat for use as a motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol;

(10) "Ethanol-based tax credits" means the cellulosic ethanol tax credit provided for in Section 23 of this Act and the ethanol tax credit provided for in Section 24 of this Act; and

(11) "Ethanol producer" means an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth.

Section 21. KRS 141.423 is amended to read as follows:

(1) (a) A biodiesel producer or a blender of blended biodiesel shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 in an amount certified by the department under subsection (4) of this section. The credit rate shall be one dollar ($1) per biodiesel ***gallon produced by a biodiesel producer, and one dollar ($1) per gallon of biodiesel used in the blending process by a biodiesel blender***~~[and blended biodiesel gallons]~~ unless the total amount of approved credit for all biodiesel producers and blenders exceeds the annual biodiesel tax credit cap. If the total amount of approved credit for all biodiesel producers and blenders exceeds the annual biodiesel tax credit cap, the department shall determine the amount of credit each biodiesel producer and blender receives by multiplying the annual biodiesel tax credit cap by a fraction, the numerator of which is the amount of approved credit for the biodiesel producer and blender and the denominator of which is the total approved credit for all biodiesel producers and blenders.

(b) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205.

(2) Re-blending of blended biodiesel shall not qualify for the credit provided under this section.

(3) The credit shall not be carried forward to a return for any other period.

(4) Each biodiesel producer and blender eligible for the credit provided under subsection (1) of this section shall file a biodiesel tax credit claim for biodiesel gallons produced or blended in this state on forms prescribed by the department by

the fifteenth day of the first month following the close of the preceding calendar year. The department shall determine the amount of the approved credit based on the amount of biodiesel produced or blended in this state during the preceding calendar year and issue a credit certificate to the biodiesel producer or blender by the fifteenth day of the fourth month following the close of the calendar year.

(5) In the case of a biodiesel producer or blender that has a fiscal year end for purposes of computing the tax imposed by KRS ***141.020,*** 141.040, ***and 141.0401,*** the amount of approved credit shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

Section 22. KRS 141.424 is amended to read as follows:

(1) In the case of a biodiesel producer or blender which is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, shareholder, or beneficiary based on the partner's, member's, shareholder's, or beneficiary's distributive share of the income of the pass-through entity. Each biodiesel producer or blender shall notify the department electronically of all partners, members, shareholders, or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in a manner prescribed by administrative regulation may constitute the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

(2) An agricultural cooperative association organized under KRS Chapter 272 may elect to apportion pro rata any amount of the approved credit among the members of the association on the basis of the quantity or value of business done with or for such members for the taxable year. The agricultural cooperative association shall notify the department electronically of all members who may claim any amount of the approved credit if the election is made.

SECTION 23. A NEW SECTION OF KRS 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) (a) For taxable years beginning after December 31, 2007, a cellulosic ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department under subsection (3) of this section. The credit rate shall be one dollar ($1) per cellulosic ethanol gallon produced unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers.

(b) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in Section 27 of this Act.

(2) The credit provided under subsection (1) of this section shall not be carried forward to a return for any other period.

(3) Each cellulosic ethanol producer eligible for the credit provided under subsection (1) of this section shall file a cellulosic ethanol tax credit claim for cellulosic ethanol gallons produced in this state on forms prescribed by the department by January 15 following the close of the preceding calendar year. The department shall determine the amount of the approved credit based on the amount of cellulosic ethanol produced in this state during the preceding calendar year and shall issue a credit certificate to the cellulosic ethanol producer by April 15 following the close of the preceding calendar year.

(4) In the case of a cellulosic ethanol producer that has a fiscal year end for purposes of computing the tax imposed by KRS 141.020, 141.040, and 141.0401, the amount of approved credit provided under subsection (1) of this section shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

SECTION 24. A NEW SECTION OF KRS 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) (a) For taxable years beginning after December 31, 2007, an ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department under subsection (3) of this section. The credit rate shall be one dollar ($1) per ethanol gallon produced unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers.

(b) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in Section 27 of this Act.

(2) The credit provided under subsection (1) of this section shall not be carried forward to a return for any other period.

(3) Each ethanol producer eligible for the credit provided under subsection (1) of this section shall file an ethanol tax

credit claim for ethanol gallons produced in this state on forms prescribed by the department by January 15 following the close of the preceding calendar year. The department shall determine the amount of the approved credit based on the amount of ethanol produced in this state during the preceding calendar year and shall issue a credit certificate to the ethanol producer by April 15 following the close of the preceding calendar year.

(4) In the case of an ethanol producer that has a fiscal year end for purposes of computing the tax imposed by KRS 141.020, 141.040, and 141.0401, the amount of approved credit provided under subsection (1) of this section shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

SECTION 25. A NEW SECTION OF KRS 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) An ethanol producer or a cellulosic ethanol producer that is a pass-through entity not subject to tax under KRS 141.040 shall apply the amount of approved credit against the tax imposed by KRS 141.0401 at the entity level, and shall also distribute the amount of the approved credit to each partner, member, shareholder, or beneficiary based on the partner's, member's, shareholder's, or beneficiary's distributive share of the income of the pass-through entity.

(2) Each ethanol producer or cellulosic ethanol producer shall notify the department electronically of all partners, members, shareholders, or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in a manner prescribed by administrative regulation may result in the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

(3) An agricultural cooperative association organized under KRS Chapter 272 may elect to apportion pro rata any amount of the approved credit among the members of the association on the basis of the quantity or value of business done with or for such members for the taxable year. The agricultural cooperative association shall notify the department electronically of all members who may claim any amount of the approved credit if the election is made.

(4) Failure to provide information to the department in a manner prescribed by administrative regulation may result in the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity or agricultural cooperative association.

SECTION 26. A NEW SECTION OF KRS CHAPTER 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) (a) If, in any calendar year, all approved applications for credit filed pursuant to the provisions of Sections 23 and 24 of this Act do not completely use the annual cellulosic ethanol tax credit cap established by Section 23 of this Act or annual ethanol tax credit cap established by Section 24 of this Act, as the case may be; and

(b) The other ethanol-based tax credit program has total approved applications for credit that exceed the annual cap established for that program;

then the unused cap may be transferred to the other ethanol-based tax credit program.

(2) The amount of credit cap transferred from one (1) program to the other shall not exceed the amount necessary for all approved applicants to receive the one dollar ($1) per gallon credit provided for in Section 23 or 24 of this Act, as the case may be.

(3) Any unused cap remaining for any calendar year after both programs have been fully funded shall not be available to be used in any other year.

Section 27. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of the credits shall be determined as follows:

(1) The nonrefundable business incentive credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) 1. For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(a);

2. For taxable years beginning after December 31, 2006, the limited liability entity tax credit permitted by KRS 141.0401;

(b) The economic development credits computed under KRS 141.347, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415,~~[and]~~ 154.12-2088, ***and Section 8 of this Act***;

(c) The certified rehabilitation credit permitted by KRS 171.397;

(d) The health insurance credit permitted by KRS 141.062;

(e) The tax paid to other states credit permitted by KRS 141.070;

(f) The credit for hiring the unemployed permitted by KRS 141.065;

(g) The recycling or composting equipment credit permitted by KRS 141.390;

(h) The tax credit for cash contributions in investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;

(i) The coal incentive credit permitted under KRS 141.0405;

(j) The research facilities credit permitted under KRS 141.395;

(k) The employer GED incentive credit permitted under KRS 151B.127;

(l) The voluntary environmental remediation credit permitted by KRS 141.418;

(m) The biodiesel credit permitted by KRS 141.423;

(n) The environmental stewardship credit permitted by KRS 154.48-025;~~[and]~~

(o) The clean coal incentive credit permitted by KRS 141.428;

(p) The ethanol credit permitted by Section 24 of this Act; and

(q) The cellulosic ethanol credit permitted by Section 23 of this Act.

(2) After the application of the nonrefundable credits in subsection (1) of this section, the nonrefundable personal tax credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) The individual credits permitted by KRS 141.020(3);

(b) The credit permitted by KRS 141.066;

(c) The tuition credit permitted by KRS 141.069; and

(d) The household and dependent care credit permitted by KRS 141.067.

(3) After the application of the nonrefundable credits provided for in subsection (2) of this section, the refundable credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) The individual withholding tax credit permitted by KRS 141.350;

(b) The individual estimated tax payment credit permitted by KRS 141.305; and

(c) For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(c).

(4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax imposed by KRS 141.040.

(5) The following nonrefundable credits shall be applied against the sum of the tax imposed by KRS 141.040 after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by KRS 141.0401 in the following order:

(a) The economic development credits computed under KRS 141.347, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415,~~[and]~~ 154.12-2088, ***and Section 8 of this Act;***

(b) The certified rehabilitation credit permitted by KRS 171.397;

(c) The health insurance credit permitted by KRS 141.062;

(d) The unemployment credit permitted by KRS 141.065;

(e) The recycling or composting equipment credit permitted by KRS 141.390;

(f) The coal conversion credit permitted by KRS 141.041;

(g) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods ending prior to January 1, 2008;

(h) The tax credit for cash contributions to investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;

(i) The coal incentive credit permitted under KRS 141.0405;

(j) The research facilities credit permitted under KRS 141.395;

(k) The employer GED incentive credit permitted under KRS 151B.127;

(l) The voluntary environmental remediation credit permitted by KRS 141.418;

(m) The biodiesel credit permitted by KRS 141.423;

(n) The environmental stewardship credit permitted by KRS 154.48-025;~~[and]~~

(o) The clean coal incentive credit permitted by KRS 141.428;

(p) The ethanol credit permitted by Section 24 of this Act; and

(q) The cellulosic ethanol credit permitted by Section 23 of this Act.

(6) After the application of the nonrefundable credits in subsection (5) of this section, the refundable corporation estimated tax payment credit permitted by KRS 141.044 shall be allowed as a credit against the total of any remaining taxes imposed by KRS 141.040 and the tax imposed by KRS 141.0401.

Section 28. KRS 141.428 is amended to read as follows:

(1) As used in this section:

(a) "Clean coal facility" means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than one hundred fifty million dollars ($150,000,000) that is located in the Commonwealth of Kentucky and is certified by the Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies;

(b) "Clean coal equipment" means equipment purchased and installed for commercial use in a clean coal facility to aid

in reducing the level of pollutants released during the generation of electricity from eligible coal;

(c) "Clean coal technologies" means technologies incorporated for use within a clean coal facility to lower emissions of pollutants released during the generation of electricity from eligible coal;

(d) "Eligible coal" means coal that is subject to the tax imposed under KRS 143.020;

(e) "Ton" means a unit of weight equivalent to two thousand (2,000) pounds; and

(f) "Taxpayer" means taxpayer as defined in KRS 131.010(4).

(2) Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit shall be allowed for:

(a) Any electric power company ***subject to tax under*** ~~[as defined in]~~ KRS ***136.120*** ~~[Chapter 136]~~ and certified as a clean coal facility or any taxpayer that owns or operates a clean coal facility and purchases eligible coal that is used by the taxpayer in a certified clean coal facility; or

(b) A parent company of an entity identified in paragraph (a) of this subsection if the subsidiary is wholly owned.

(3) (a) The credit may be taken against the taxes imposed by:

1. KRS 136.070;

2. KRS 136.120; or

3. KRS 141.020 or 141.040, and 141.0401.

(b) The credit shall not be carried forward and must be used on the tax return filed for the period during which the eligible coal was purchased. The Environmental and Public Protection Cabinet must approve and certify use of the clean coal equipment and technologies within a clean coal facility before any taxpayer may claim the credit.

(c) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205.

(4) The amount of the allowable credit shall be two dollars ($2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, a parent, or a subsidiary.

(5) Each taxpayer eligible for the credit provided under subsection (2) of this section shall file a clean coal incentive credit claim on forms prescribed by the Department of Revenue. At the time of filing for the credit, the taxpayer shall submit an electronic report verifying the tons of coal subject to the tax imposed by KRS 143.020 purchased for each year in which the credit is claimed. The Department of Revenue shall determine the amount of the approved credit and issue a credit certificate to the taxpayer.

(6) Corporations and pass-through entities subject to the tax imposed under KRS 141.040 or 141.0401 shall be eligible to apply, subject to the conditions imposed under this section, the approved credit against its liability for the taxes, in consecutive order as follows:

(a) The credit shall first be applied against both the tax imposed by KRS 141.0401 and the tax imposed by KRS 141.020 or 141.040, with the ordering of credits as provided in KRS 141.0205;

(b) The credit shall then be applied to the tax imposed by KRS 136.120.

The credit shall meet the entirety of the taxpayer's liability under the first tax listed in consecutive order before applying any remaining credit to the next tax listed. The taxpayer's total liability under each preceding tax must be fully met before the remaining credit can be applied to the subsequent tax listed in consecutive order.

(7) If the taxpayer is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of the income of the pass-through entity. The credit shall be claimed in the same manner as specified in subsection (6) of this section. Each pass-through entity shall notify the Department of Revenue electronically of all partners, members, or shareholders who may claim any amount of the approved credit. Failure to provide information to the Department of Revenue in a manner prescribed by regulation may constitute the forfeiture of available credits to all partners, members, or shareholders associated with the pass-through entity.

(8) The taxpayer shall maintain all records associated with the credit for a period of five (5) years. Acceptable verification of eligible coal purchased shall include invoices that indicate the tons of eligible coal purchased from a Kentucky supplier of coal and proof of remittance for that purchase.

(9) The Department of Revenue shall develop the forms required under this section, specifying the procedure for claiming the credit, and applying the credit against the taxpayer's liability in the order provided under subsections (6) and (7) of this section.

(10) The ***Governor's Office of Energy Policy*** ~~[Commerce Cabinet]~~, Environmental and Public Protection Cabinet, and the Department of Revenue shall promulgate administrative regulations necessary to administer this section.

(11) This section shall be known as the Kentucky Clean Coal Incentive Act.

Section 29. KRS 56.770 is amended to read as follows:

As used in KRS 56.770 to 56.784, unless the context requires otherwise:

(1) "Aggregate simple payback period" means the simple payback period of a set of energy efficiency measures taken together for a building;

(2) "Building" means all contiguous land, structures, appurtenances, and improvements that use energy;

(3) "Energy audit" means examination of a building's energy-using systems, energy consumption and costs, occupancy patterns, and operation and maintenance procedures;

(4) "Energy efficiency measure" means any construction, improvement, repair, alteration, or betterment of a building that is intended to reduce energy costs; or any equipment, fixture, or furnishing to be added to or used in a building that will be a cost-effective energy-related project that is intended to reduce energy costs;

(5) "Guaranteed energy savings performance contract" means an agreement for the provision of energy services or equipment, including energy efficiency measures, energy conservation measures and alternate energy technologies for state government buildings, in which a person agrees to design, construct, install, maintain, operate, or manage energy systems or equipment to improve energy efficiency of, or produce energy in connection with, a state government building. Payments for a guaranteed energy savings performance contract shall be made from measured and verified savings generated from implementation of the energy efficiency measures financed by the contract. The term of a guaranteed energy savings performance contract shall not exceed the life of the energy savings generated from implementation of the energy efficiency measures financed by the contract. If the measured and verified savings are not sufficient to pay the financial obligations under the contract, the contractor is liable for the contract payments;

(6) "Engineering analysis" means a detailed cost-benefit analysis of energy efficiency investments including a review of potential cost savings through operation and maintenance changes;

(7) "Life-cycle cost analysis" means a method for estimating the total cost of an energy-using component or building over its useful life, including cost factors such as purchase price or construction, renovation, or leasing costs, energy use, maintenance, interest, and inflation;

(8) "Low cost/no cost energy conservation measures" means those energy saving practices and energy efficiency measures, usually involving operation and maintenance practices, that can be accomplished by existing personnel within existing operating budgets;

(9) "Simple payback period" means the number of years it takes to pay back, from estimated savings, the initial cost of an energy efficiency measure with the simple payback period equal to the initial cost divided by the estimated annual savings;

(10) "Savings" means the reduction in expenditures, excluding any state government and post-secondary education personnel expenditures, that are measured and verified, including but not limited to energy usage, operating costs, and capital cost avoidance that occur as a result of the implementation of energy efficiency measures;

(11) "Capital cost avoidance" means savings generated when expenditures of appropriated capital construction or appropriated capital outlay funds are avoided because the budgeted capital improvements or items of equipment are contained within the energy efficiency measures provided by a guaranteed energy savings performance contract;~~[and]~~

(12) "Operating costs" means expenditures associated with operating and maintaining a properly functioning building and its systems including but not limited to the heating, ventilation, cooling, lighting, plumbing, water heating, electrical, and laundry systems and their controls;

(13) "ENERGY STAR" means the voluntary program administered by the United States Environmental Protection Agency and the United States Department of Energy that is designed to protect the environment through the promotion of energy-efficient products and practices;

(14) "Green Globe rating system" means the on-line environmental assessment tool developed by the Green Building Initiative as of December, 2004, that allows designers, property owners, and managers to evaluate and rate buildings against best sustainable building design practices and integrate principles of sustainable architecture at every stage of project delivery in order to design and construct buildings that will be energy-efficient and resource-efficient, achieve operational savings, and provide healthier environments in which to live and work; and

(15) "LEED" means the building rating systems developed on or after January 1, 2005, by the United States Green Building Council that allow designers, property owners, and managers to evaluate and rate buildings against best sustainable building design and practices and to integrate principles of sustainable architecture at every stage of project delivery in order to design and construct buildings that will be energy-efficient and resource-efficient using a whole-building approach in five (5) key areas of human and environmental health:

(a) Sustainable site development;

(b) Water savings;

(c) Energy efficiency;

(d) Material selection; and

(e) Environmental quality.

Section 30. KRS 56.776 is amended to read as follows:

The Finance and Administration Cabinet, with the assistance of the ***Governor's*** Office of Energy Policy~~[within the Commerce Cabinet]~~, shall institute an energy audit training program to identify energy saving techniques for state-owned building maintenance staff. Additional programs shall be developed to educate state employees and other building occupants on energy awareness and practices to reduce energy use in state-owned buildings. Local government employees may be included in training and educational programs.

SECTION 31. A NEW SECTION OF KRS 56.770 TO 56.784 IS CREATED TO READ AS FOLLOWS:

To improve energy efficiency throughout state government, the Finance and Administration Cabinet is encouraged to:

(1) Utilize the LEED rating system or the Green Globe rating system to promote the design, construction, and operation of high-performance energy-efficient buildings; and

(2) Incorporate ENERGY STAR-qualified products in state agency procurements.

Section 32. KRS 56.784 is amended to read as follows:

(1) ***Each agency responsible for managing state-owned property shall review the utility usage of the property and shall cooperate with the Finance and Administration Cabinet to determine which properties are good candidates for guaranteed energy savings performance contracts. The responsible agency is encouraged to implement guaranteed energy savings performance contracts where appropriate.***

(2) The Finance and Administration Cabinet may implement the provisions of KRS 56.770 to 56.784 through the promulgation of administrative regulations pursuant to KRS Chapter 13A.

(3)~~[(2)]~~ ~~[By July 15, 2002,]~~The secretary of the Finance and Administration Cabinet shall promulgate administrative regulations in accordance with the provisions of KRS Chapter 13A establishing a process for procurement of energy savings performance contracts, including required contract language. The following entities shall adhere to these regulations when procuring services under a guaranteed energy savings performance contract:

(a) Any governing body of a postsecondary institution that manages its capital construction program under KRS 164A.580; or

(b) Any public corporation as defined by KRS 45.750(2)(c) or as created under the Kentucky Revised Statutes as a governmental agency and instrumentality of the Commonwealth that manages its capital construction program.

(4)~~[(3)]~~ All state agencies, including those identified in subsection ***(3)***~~[(2)]~~ of this section, shall submit proposed guaranteed energy savings performance contracts to the Office of Financial Management within the Office of the Controller for review and approval prior to contract execution.

(5)~~[(4)]~~ The secretary shall report all authorized guaranteed energy savings performance contracts to the Capital Projects and Bond Oversight Committee for its review.

Section 33. KRS 56.782 is amended to read as follows:

The Finance and Administration Cabinet shall report on or before October 15 in odd-numbered years to the Legislative Research Commission on progress made to maximize the use of energy-efficiency measures in state government. The Legislative Research Commission shall transmit the report to the appropriate interim joint committees and to the General Assembly when it convenes. The report shall include, but not be limited to:

(1) A summary of initiatives undertaken by the cabinet during the reporting period to promote adoption of low cost/no cost energy-efficiency measures, including employee training efforts;

(2) A summary of energy-efficiency measures installed and energy improvements made during the reporting period;

(3) Energy consumption and expenditure data for facilities owned or leased by state government and any documented savings made as a result of energy-efficiency measures and improvements;

(4) Status report on efforts to assure buildings newly constructed, renovated, or leased are energy-efficient;

(5) Any efforts made during the reporting period to promote acquisition of energy-efficient products pursuant to KRS 45A.045(12);~~[and]~~

(6) Any recommendations for future funding of energy improvements or other measures needed to assure energy efficiency in state government***; and***

(7) Any improvements in energy efficiency planned or realized through the use of the LEED rating system, the Green Globe rating system, ENERGY STAR-qualified products, and guaranteed energy savings performance contracts.

SECTION 34. A NEW SECTION OF KRS CHAPTER 45A IS CREATED TO READ AS FOLLOWS:

(1) The Finance and Administration Cabinet shall develop a strategy to:

(a) Replace at least fifty percent (50%) of the state-owned passenger vehicles and light-duty trucks managed by the Division of Fleet Management as of January 1, 2008, with:

1. New qualified hybrid motor vehicles as defined in 26 U.S.C. sec. 30B;

2. New advanced lean burn technology motor vehicles as defined in 26 U.S.C. sec. 30B;

3. New qualified fuel cell motor vehicles as defined in 26 U.S.C. sec. 30B; or

4. New qualified alternative fuel motor vehicles as defined in 26 U.S.C. sec. 30B; and

(b) Increase the use of ethanol, biodiesel, and other alternative transportation fuels as defined in Section 38 of this Act to reduce state government's dependence on petroleum-based transportation fuels, where possible.

(2) On or before December 1, 2007, and every December 1 thereafter, the Finance and Administration Cabinet shall report to the Legislative Research Commission:

(a) The strategy for transitioning to motor vehicles outlined in subsection (1) of this section, including a life-cycle cost comparison, and a projected timetable to replace motor vehicles in the state motor pool as provided in subsection (1) of this section; and

(b) The strategy for increased use of ethanol, cellulosic ethanol, biodiesel, and alternative transportation fuels, including the targeted amount and the dates by which these targets shall be achieved.

Section 35. KRS 12.020 is amended to read as follows:

Departments, program cabinets and their departments, and the respective major administrative bodies that they include are enumerated in this section. It is not intended that this enumeration of administrative bodies be all-inclusive. Every authority, board, bureau, interstate compact, commission, committee, conference, council, office, or any other form of organization shall be included in or attached to the department or program cabinet in which they are included or to which they are attached by statute or statutorily authorized executive order; except in the case of the Personnel Board and where the attached department or administrative body is headed by a constitutionally elected officer, the attachment shall be solely for the purpose of dissemination of information and coordination of activities and shall not include any authority over the functions, personnel, funds, equipment, facilities, or records of the department or administrative body.

I. Cabinet for General Government - Departments headed by elected officers:
   1. The Governor.
   2. Lieutenant Governor.
   3. Department of State.
      (a) Secretary of State.
      (b) Board of Elections.
      (c) Registry of Election Finance.
   4. Department of Law.
      (a) Attorney General.
   5. Department of the Treasury.
      (a) Treasurer.
   6. Department of Agriculture.
      (a) Commissioner of Agriculture.
      (b) Kentucky Council on Agriculture.
   7. Auditor of Public Accounts.

II. Program cabinets headed by appointed officers:
   1. Justice and Public Safety Cabinet:
      (a) Department of Kentucky State Police.
      (b) Department of Criminal Justice Training.
      (c) Department of Corrections.
      (d) Department of Juvenile Justice.
      (e) Office of the Secretary.
      (f) Office of Drug Control Policy.
      (g) Office of Legal Services.
      (h) Office of the Kentucky State Medical Examiner.
      (i) Parole Board.
      (j) Kentucky State Corrections Commission.
      (k) Office of Legislative and Intergovernmental Services.
      (l) Office of Management and Administrative Services.
      (m) Office of Public Safety Training.
      (n) Office of Investigations.

(o) Department of Kentucky Vehicle Enforcement.
(p) Department for Public Advocacy.

2. Education Cabinet:
(a) Office of the Secretary.
(b) Office of Legal Services.
1. Client Assistance Program.
(c) Office of Communication.
(d) Office of Legislative and Intergovernmental Affairs.
(e) Office of Budget and Administration.
1. Division of Human Resources.
2. Division of Administrative Services.
3. Division of Technology Services.
(f) Board of Directors for the Center for School Safety.
(g) Council on Postsecondary Education.
1. Foundation for Adult Education.
(h) Department of Education.
1. Kentucky Board of Education.
(i) Department for Libraries and Archives.
(j) Department of Workforce Investment.
1. Office for the Blind.
2. Office of Vocational Rehabilitation.
3. Office of Career and Technical Education.
4. Office of Employment and Training.
(k) Foundation for Workforce Development.
(l) Kentucky Office for the Blind State Rehabilitation Council.
(m) Kentucky Technical Education Personnel Board.
(n) Kentucky Workforce Investment Board.
(o) Statewide Council for Vocational Rehabilitation.
(p) Statewide Independent Living Council.
(q) Unemployment Insurance Commission.
(r) Education Professional Standards Board.
1. Division of Educator Preparation.
2. Division of Certification.
3. Division of Professional Learning and Assessment.
4. Division of Legal Services.
(s) Kentucky Commission on the Deaf and Hard of Hearing.
(t) Kentucky Educational Television.
(u) Kentucky Environmental Education Council.

3. Environmental and Public Protection Cabinet:
(a) Office of the Secretary.
1. Office of Legislative and Intergovernmental Affairs.
2. Office of Communications and Public Outreach.
3. Office of Regulatory Affairs.
4. Office of Legal Services.
5. Office of Administrative and Information Services.
6. Office of Administrative Hearings.
7. Office of Inspector General.
8. Mine Safety Review Commission.

9. Workers' Compensation Board.
10. Kentucky State Nature Preserves Commission.
11. Kentucky Environmental Quality Commission.
12. Kentucky Occupational Safety and Health Review Commission.

(b) Department for Environmental Protection.
1. Office of the Commissioner.
2. Division of Air Quality.
3. Division of Water.
4. Division of Environmental Services.
5. Division of Waste Management.
6. Division of Enforcement.
7. Division of Compliance Assistance.

(c) Department for Natural Resources.
1. Office of the Commissioner.
2. Office of Technical and Administrative Support.
3. Division of Mine Permits.
4. Division of Mine Reclamation and Enforcement.
5. Division of Abandoned Mine Lands.
6. Division of Oil and Gas Conservation.
7. Office of Mine Safety and Licensing.
8. Division of Forestry.
9. Division of Conservation.

(d) Department of Public Protection.
1. Office of the Commissioner.
2. Division of Administrative Services.
3. Crime Victims Compensation Board.
4. Board of Claims.
5. Board of Tax Appeals.
6. Kentucky Boxing and Wrestling Authority.
7. Kentucky Horse Racing Authority.
8. Kentucky Public Service Commission.
9. Office of Alcoholic Beverage Control.
10. Office of Charitable Gaming.
11. Office of Financial Institutions.
12. Office of Housing, Buildings and Construction.
13. Office of Insurance.

(e) Department of Labor.
1. Office of the Commissioner.
2. Office of Occupational Safety and Health.
3. Office of Labor Management Relations and Mediation.
4. Office of Workplace Standards.
5. Office of Workers' Claims.
6. Workers' Compensation Funding Commission.
7. Kentucky Labor Management Advisory Council.
8. Occupational Safety and Health Standards Board.
9. Prevailing Wage Review Board.
10. Kentucky Employees Insurance Association.
11. Apprenticeship and Training Council.

12. State Labor Relations Board.
13. Workers' Compensation Advisory Council.
14. Workers' Compensation Nominating Commission.
15. Employers' Mutual Insurance Authority.
16. Division of Administrative Services.

4. Transportation Cabinet:
   (a) Department of Highways.
      1. Office of Program Planning and Management.
      2. Office of Project Development.
      3. Office of Construction and Operations.
      4. Office of Intermodal Programs.
      5. Highway District Offices One through Twelve.
   (b) Department of Vehicle Regulation.
   (c) Department of Administrative Services.
   (d) Department of Aviation.
   (e) Department of Intergovernmental Programs.
      1. Office of Transportation Enhancement Programs.
      2. Office of Rural and Secondary Roads.
   (f) Office of the Secretary.
      1. Office of Legislative and Intergovernmental Affairs.
      2. Office of Public Affairs.
      3. Office of Transportation Delivery.
      4. Office for Business and Occupational Development.
      5. Office of Budget and Fiscal Management.
      6. Office of Legal Services.
      7. Office of Inspector General.
      8. Office of the Transportation Operations Center.
      9. Office of Personnel Management.
5. Cabinet for Economic Development:
   (a) Office of Administration and Support.
   (b) Department for New Business Development.
   (c) Department of Financial Incentives.
   (d) Department for Existing Business Development.
   (e) Tobacco Research Board.
   (f) Kentucky Economic Development Finance Authority.
   (g) Office of Research and Information Technology.
   (h) Department of Commercialization and Innovation.
   (i) Office of Legal Services.
   (j) Commission on Small Business Advocacy.
6. Cabinet for Health and Family Services:
   (a) Department for Public Health.
   (b) Department for Medicaid Services.
   (c) Department for Mental Health and Mental Retardation Services.
   (d) Kentucky Commission for Children with Special Health Care Needs.
   (e) Office of Health Policy.
   (f) Office of the Secretary.
   (g) Office of Legal Services.
   (h) Office of Inspector General.

(i) Office of Legislative and Public Affairs.
(j) Department for Community Based Services.
(k) Department for Disability Determination Services.
(l) Office of the Ombudsman.
(m) Department for Human Support Services.
(n) Kentucky Commission on Community Volunteerism and Service.
(o) Office of Fiscal Services.
(p) Office of Human Resource Management.
(q) Office of Technology.
(r) Office of Contract Oversight.
(s) Governor's Office of Wellness and Physical Activity.
(t) Department for Aging and Independent Living.

7. Finance and Administration Cabinet:
(a) Office of General Counsel.
(b) Office of the Controller.
(c) Office of Administrative Services.
(d) Office of Public Information.
(e) Department for Facilities and Support Services.
(f) Department of Revenue.
(g) Commonwealth Office of Technology.
(h) State Property and Buildings Commission.
(i) Kentucky Savings Bond Authority.
(j) Office of Equal Employment Opportunity and Contract Compliance.
(k) Kentucky Employees Retirement Systems.
(l) Commonwealth Credit Union.
(m) State Investment Commission.
(n) Kentucky Housing Corporation.
(o) Kentucky Local Correctional Facilities Construction Authority.
(p) Kentucky Turnpike Authority.
(q) Historic Properties Advisory Commission.
(r) Kentucky Tobacco Settlement Trust Corporation.
(s) State Board for Proprietary Education.
(t) Kentucky Higher Education Assistance Authority.
(u) Kentucky River Authority.
(v) Kentucky Teachers' Retirement System Board of Trustees.

8. Commerce Cabinet:
(a) Department of Tourism.
(1) Division of Tourism Services.
(2) Division of Marketing and Advertising.
(3) Division of Parks Marketing.
(b) Kentucky Department of Parks.
(1) Division of Information Technology.
(2) Division of Personnel and Payroll.
(3) Division of Financial Operations.
(4) Division of Facilities Management.
(5) Division of Facilities Maintenance.
(6) Division of Customer Services.
(7) Division of Recreation.

(8) Division of Golf Courses.
(9) Division of Food Services.
(10) Division of Rangers.
(11) Division of Eastern Parks.
(12) Division of Southern Parks.
(13) Division of Western Parks.

(c) Department of Fish and Wildlife Resources.
(1) Division of Law Enforcement.
(2) Division of Administrative Services.
(3) Division of Engineering.
(4) Division of Fisheries.
(5) Division of Information and Education.
(6) Division of Wildlife.
(7) Division of Public Affairs.

(d) Kentucky Horse Park.
(1) Division of Support Services.
(2) Division of Buildings and Grounds.
(3) Division of Operational Services.

(e) Kentucky State Fair Board.
(1) Division of Expositions and Admission.
(2) Division of Kentucky Fair and Exposition Center Operations.
(3) Division of Commonwealth Convention Center.
(4) Division of Public Relations and Media.
(5) Division of Administrative Services.
(6) Division of Personnel Management and Staff Development.
(7) Division of Sales.
(8) Division of Security and Traffic Control.

(f) Office of the Secretary.
(g) Office of Finance and Administration.
(h) Office of Legal Affairs.
(i) Office of Intergovernmental Affairs.
(j) Office of Human Resources.
(k) Office of Public Affairs and Constituent Services.
(l) Office of Information Technology.
(m) Office of the Kentucky Sports Authority.
(1) Kentucky Sports Authority Board.
(n) Office of Creative Services.
(o) Office of Capital Plaza Operations.
~~(p)[Office of Energy Policy.~~
~~(1) Energy Policy Advisory Council.~~
~~(q)]~~ Office of Arts and Cultural Heritage.
(q)[~~(r)~~] Kentucky African-American Heritage Commission.
(r)[~~(s)~~] Kentucky Foundation for the Arts.
(s)[~~(t)~~] Kentucky Humanities Council.
(t)[~~(u)~~] Kentucky Heritage Council.
(u)[~~(v)~~] Kentucky Arts Council.
(v)[~~(w)~~] Kentucky Historical Society.
(1) Division of Museums.

(2) Division of Oral History and Educational Outreach.
(3) Division of Research and Publications.
(4) Division of Administration.

(w)~~[(x)]~~ Kentucky Center for the Arts.
(1) Division of Governor's School for the Arts.

(x)~~[(y)]~~Kentucky Artisans Center at Berea.

(y)~~[(z)]~~Martin Luther King Commission.

(z)~~[(aa)]~~ Northern Kentucky Convention Center.

(aa)~~[(ab)]~~ Eastern Kentucky Exposition Center.

9. Personnel Cabinet:
(a) Office of the Secretary.
(b) Department for Personnel Administration.
(c) Office for Employee Relations.
(d) Kentucky Public Employees Deferred Compensation Authority.
(e) Office of Administrative Services.
(f) Office of Legal Services.
(g) Office of Government Training.
(h) Department for Employee Insurance.

III. Other departments headed by appointed officers:
1. Department of Military Affairs.
2. Governor's Office for Local Development.
3. Kentucky Commission on Human Rights.
4. Kentucky Commission on Women.
5. Department of Veterans' Affairs.
6. Kentucky Commission on Military Affairs.
7. Office of Minority Empowerment.
8. Governor's Council on Wellness and Physical Activity.

Section 36. KRS 12.023 is amended to read as follows:

The following organizational units and administrative bodies shall be attached to the Office of the Governor:

(1) Department of Military Affairs;
(2) Governor's Office for Local Development;
(3) Kentucky Commission on Human Rights;
(4) Kentucky Commission on Women;
(5) Kentucky Commission on Military Affairs;
(6) Governor's Scholars Program;
(7) Agricultural Development Board;
(8) Kentucky Agricultural Finance Corporation;
(9) Office of Minority Empowerment;
(10) Office of Homeland Security;~~[and]~~
(11) Governor's Council on Wellness and Physical Activity*; and*
(12) The Governor's Office of Energy Policy.

SECTION 37. A NEW SECTION OF KRS 152.710 TO 152.725 IS CREATED TO READ AS FOLLOWS:

(1) The Governor's Office of Energy Policy is created and attached for administrative purposes to the Office of the Governor. The Governor's Office of Energy Policy shall be headed by an executive director.

(2) The Governor's Office of Energy Policy shall:

(a) Oversee the development and implementation of Kentucky's comprehensive energy strategy;

(b) Provide leadership to enhance the benefits of energy efficiency and alternative energy through supporting awareness, technology development, energy preparedness, partnerships, and resource development;

(c) Enhance the economic opportunities and benefits to Kentucky citizens and industry through expansion of

current markets and the development of market opportunities for Kentucky coal, natural gas, petroleum, oil shale, tar sands, liquid and gaseous fuels from coal, and chemicals from coal;

(d) To the extent funding is available, administer grant programs to support energy-related research, development, and demonstration, including the support of multistate cooperative regional partnerships and research initiatives;

(e) Develop and implement programs for the development, conservation, and utilization of energy in a manner to meet essential human needs while maintaining the Kentucky economy at the highest feasible level. The programs shall include:

1. Central access for collection, maintenance, and analysis of data and information on all forms of energy supply, demand, conservation, and related subjects;

2. Formulation of a contingency plan to address any energy shortage which may occur from time to time. The contingency plan shall relate to the curtailment, allocation, planning, and management of all forms of energy;

3. Development and implementation of major energy conservation programs involving all sectors of the Kentucky economy, including energy audits of educational facilities and state-owned buildings; and

4. Provision for the application of appropriate technologies with regard to alternative energy development, including the development of solar and other renewable resources and small-scale hydroelectric plants, and promotion, when feasible, of the production of energy from other resources such as solid waste and biomass;

(f) Provide technical assistance to the Finance and Administration Cabinet in implementing the Energy Efficiency in Government Buildings Program;

(g) Enter into agreements, administer grant programs, and serve as a liaison with the federal government and other states in matters relating to energy; and

(h) Participate in the review of applications and, upon request of the authority, assist the authority in monitoring tax incentive agreements as provided in Subchapter 27 of KRS Chapter 154.

(3) The office may establish reasonable application fees to offset costs associated with reviewing and processing applications, including costs associated with hiring outside consultants.

(4) The office is encouraged to use state funding available to it as a match for federal or private funding to increase the resources available to support energy research and development.

(5) The office is encouraged to explore and develop regional partnerships and cooperative research initiatives with other states and governmental entities to enhance resources available for energy research and development.

Section 38. KRS 152.715 is amended to read as follows:

As used in KRS 152.710 to 152.725, unless the context requires otherwise:

(1) "*Alternative*~~[Alternate]~~ transportation fuels" means transportation fuels produced by processes that convert coal*, waste coal,* or biomass resources or extract oil from oil shale to produce fuels for powering vehicles, aircraft, and machinery. "*Alternative*~~[Alternate]~~ transportation fuels" may include but are not limited to petroleum, jet fuel, gasoline, diesel fuel, hydrogen derived from coal, and diesel fuel and ethanol derived from biomass;

(2) "Synthetic natural gas" means pipeline quality or industrial quality natural gas produced from coal through gasification processes;

(3) "Fossil energy resources" means reserves of coal, oil shale, and natural gas; and

(4) "Biomass resources" means *any organic matter that is available on a renewable or recurring basis, including agricultural crops and trees; wood and wood residues; plants, aquatic plants, and plant oils; grasses; animal fats and animal by-products; animal manure; residue materials; and waste products*~~[agricultural materials that may be used for production of transportation fuels such as biodiesel or ethanol or that may themselves be used as a fuel, alone or in combination with a fossil fuel, for generation of electricity]~~.

Section 39. KRS 152.720 is amended to read as follows:

To ensure that Kentucky will lead the states in securing the energy independence of the United States and will consequently benefit from economic growth and stabilization of the Commonwealth's coal industry and agriculture, the *Governor's*~~[Kentucky]~~ Office of Energy Policy shall develop and implement a strategy for production of *alternative*~~[transportation]~~ fuels and synthetic natural gas from fossil energy resources and biomass resources. The strategy shall address:

(1) Technologies available or in use for producing *alternative*~~[transportation]~~ fuels and synthetic natural gas from fossil energy resources and biomass resources and the relative advantages of these in terms of process efficiencies, environmental performance, and marketable products, including chemicals, industrial feedstocks, and electricity;

(2) Research, demonstration, and commercial-scale construction and operation of one (1) or more technologies, and follow-up expansion;

(3) The essential nature of efficient cooperation, coordination, and synergy between the efforts of the *Governor's* Office of

Energy Policy and those of Kentucky's universities in order to maximize Kentucky's opportunities to ***access***~~[tap]~~ federal ***funds***~~[funding streams]~~ and ***to*** receive research grants and awards from federal and other sources ***to fund***~~[funding]~~ the development of clean coal technology, coal-to-liquid-fuel conversion, synthetic natural gas, ***alternative***~~[alternate]~~ transportation fuels, and biomass~~[energy]~~ resources;

(4) ***The identification of*** federal funds ***available*** for research, development, construction, and operation of ***alternative***~~[alternate]~~ fuels or synthetic natural gas plants at laboratory, demonstration, and commercial scale;

(5) Establishment of a major federal energy research laboratory in Kentucky;

(6) Industry participation, both by single firms and by consortia, in research, development, construction, and operation of ***alternative***~~[alternate]~~ transportation fuels or synthetic natural gas plants;

(7) Establishment or expansion of Kentucky state government incentives for development, construction, or operation of ***alternative***~~[alternate]~~ transportation fuels and synthetic natural gas production facilities, including but not limited to financial incentives, tax incentives, mandating or providing incentives for use of ***alternative***~~[alternate]~~ transportation fuels and synthetic natural gas by state government, school districts, or utilities, authority to issue bonds, and acquisition and preliminary environmental assessment of industrial sites; and

(8) Development of incentives to encourage energy conservation and renewable fuel and energy use and deployment ***of renewable energy,*** including solar ***power***, wind ***power***, ***hydropower***~~[hydro]~~, and other sources.~~[State incentives should mirror those established at the federal level.]~~

Section 40. KRS 56.790 is amended to read as follows:

(1) The Energy Policy Advisory Council is hereby established for the purpose of assisting and advising the ***Governor's*** Office of Energy Policy. Membership shall consist of:

(a) Fifteen (15) members of the public, appointed by the Governor and representing various energy interests within the Commonwealth; and

(b) The executive director of the ***Governor's*** Office of Energy Policy who shall serve as a nonvoting member and as chairman of the council.

(2) (a) Each appointed member shall serve for a term of four (4) years.

(b) Any member may be removed~~[from his appointment]~~ by the Governor for cause.

(c) Appointed members shall be reimbursed for travel costs incurred in attending meetings, which shall be paid from the funds of the ***Governor's*** Office of Energy Policy, and in compliance with the~~[Commerce Cabinet's]~~ procedures for travel and reimbursement ***of the Office of the Governor***.

(3) (a) The chairman shall set the agenda, place, and time of meetings which shall be held a minimum of two (2) times a year and shall be held in accordance with the provisions of the Open Meetings Act, KRS 61.805 to 61.850.

(b) A quorum for all council meetings shall consist of eight (8) of the appointed members.

SECTION 41. A NEW SECTION OF KRS 152.710 TO 152.725 IS CREATED TO READ AS FOLLOWS:

From a list of potential sites developed by the Governor's Office of Energy Policy and suitable for development of alternative fuel facilities, gasification facilities or renewable energy facilities as defined in Section 1 of this Act, the Governor's Office of Energy Policy may expend state funds for preliminary environmental and baseline assessments, inventories, and other activities on or for the potential sites in furtherance of environmental or other permitting required for the development of an eligible project.

Section 42. KRS 224.10-100 is amended to read as follows:

In addition to any other powers and duties vested in it by law, the cabinet shall have the authority, power, and duty to:

(1) Exercise general supervision of the administration and enforcement of this chapter, and all rules, regulations, and orders promulgated thereunder;

(2) Prepare and develop a comprehensive plan or plans related to the environment of the Commonwealth;

(3) Encourage industrial, commercial, residential, and community development which provides the best usage of land areas, maximizes environmental benefits, and minimizes the effects of less desirable environmental conditions;

(4) Develop and conduct a comprehensive program for the management of water, land, and air resources to assure their protection and balance utilization consistent with the environmental policy of the Commonwealth;

(5) Provide for the prevention, abatement, and control of all water, land, and air pollution including, but not limited to, that related to particulates, pesticides, gases, dust, vapors, noise, radiation, odor, nutrients, heated liquid, or other contaminants;

(6) Provide for the control and regulation of surface coal mining and reclamation in a manner to accomplish the purposes of KRS Chapter 350;

(7) Secure necessary scientific, technical, administrative, and operational services, including laboratory facilities, by contract or otherwise;

(8) Collect and disseminate information and conduct educational and training programs relating to the protection of the

environment;

(9) Appear and participate in proceedings before any federal regulatory agency involving or affecting the purposes of the cabinet;

(10) Enter and inspect any property or premises for the purpose of investigating either actual or suspected sources of pollution or contamination or for the purpose of ascertaining compliance or noncompliance with this chapter, or any regulation which may be promulgated thereunder;

(11) Conduct investigations and hold hearings and compel the attendance of witnesses and the production of accounts, books, and records by the issuance of subpoenas;

(12) Accept, receive, and administer grants or other funds or gifts from public and private agencies including the federal government for the purpose of carrying out any of the functions of the cabinet. The funds received by the cabinet shall be deposited in the State Treasury to the account of the cabinet;

(13) Request and receive the assistance of any state or municipal educational institution, experiment station, laboratory, or other agency when it is deemed necessary or beneficial by the cabinet in the performance of its duties;

(14) Advise, consult, and cooperate with other agencies of the Commonwealth, other states, the federal government, and interstate and interlocal agencies, and affected persons, groups, and industries;

(15) Formulate guides for measuring presently unidentified environmental values and relationships so they can be given appropriate consideration along with social, economic, and technical considerations in decision making;

(16) Monitor the environment to afford more effective and efficient control practices, to identify changes and conditions in ecological systems, and to warn of emergency conditions;

(17) Adopt, modify, or repeal with the recommendation of the commission any standard, regulation, or plan specified in subsections (5) and (6) of KRS 224.01-110;

(18) Issue, after hearing, orders abating activities in violation of this chapter, or the provisions of this chapter, or the regulations promulgated pursuant thereto and requiring the adoption of the remedial measures the cabinet deems necessary;

(19) Issue, continue in effect, revoke, modify, suspend, or deny under such conditions as the cabinet may prescribe and require that applications be accompanied by plans, specifications, and other information the cabinet deems necessary for the following permits:

(a) Permits to discharge into any waters of the Commonwealth, and for the installation, alteration, expansion, or operation of any sewage system; however, the cabinet may refuse to issue the permits to any person, or any partnership, corporation, etc., of which the person owns more than ten percent (10%) interest, who has improperly constructed, operated, or maintained a sewage system willfully, through negligence, or because of lack of proper knowledge or qualifications until the time that person demonstrates proper qualifications to the cabinet and provides the cabinet with a performance bond;

(b) Permits for the installation, alteration, or use of any machine, equipment, device, or other article that may cause or contribute to air pollution or is intended primarily to prevent or control the emission of air pollution; or

(c) Permits for the establishment or construction and the operation or maintenance of waste disposal sites and facilities;

(20) May establish, by regulation, a fee or schedule of fees for the cost of processing applications for permits authorized by this chapter, and for the cost of processing applications for exemptions or partial exemptions which may include, but not be limited to, the administrative costs of a hearing held as a result of the exemption application, except that applicants for existing or proposed publicly-owned facilities shall be exempt from any charge, other than emissions fees assessed pursuant to KRS 224.20-050, and that certain nonprofit organizations shall be charged lower fees to process water discharge permits under KRS 224.16-050(5);

(21) May require for persons discharging into the waters or onto the land of the Commonwealth, by regulation, order, or permit, technological levels of treatment and effluent limitations;

(22) Require, by regulation, that any person engaged in any operation regulated pursuant to this chapter install, maintain, and use at such locations and intervals as the cabinet may prescribe any equipment, device, or test and the methodologies and procedures for the use of the equipment, device, or test to monitor the nature and amount of any substance emitted or discharged into the ambient air or waters or land of the Commonwealth and to provide any information concerning the monitoring to the cabinet in accordance with the provisions of subsection (23) of this section;

(23) Require by regulation that any person engaged in any operation regulated pursuant to this chapter file with the cabinet reports containing information as to location, size, height, rate of emission or discharge, and composition of any substance discharged or emitted into the ambient air or into the waters or onto the land of the Commonwealth, and such other information the cabinet may require;

(24) Promulgate regulations, guidelines, and standards for waste planning and management activities, approve waste management facilities, develop and publish a comprehensive statewide plan for nonhazardous waste management which shall contain, but not be limited to, the provisions set forth in KRS 224.43-345, and develop and publish a comprehensive statewide plan for hazardous waste management which shall contain, but not be limited to, the following:

(a) A description of current hazardous waste management practices and costs, including treatment and disposal, within the Commonwealth;

(b) An inventory and description of all existing facilities where hazardous waste is being generated, treated, recycled, stored, or disposed of, including an inventory of the deficiencies of present facilities in meeting current hazardous waste management needs and a statement of the ability of present hazardous waste management facilities to comply with state and federal laws relating to hazardous waste;

(c) A description of the sources of hazardous waste affecting the Commonwealth including the types and quantities of hazardous waste currently being generated and a projection of such activities as can be expected to continue for not less than twenty (20) years into the future; and

(d) An identification and continuing evaluation of those locations within the Commonwealth which are naturally or may be engineered to be suitable for the establishment of hazardous waste management facilities, and an identification of those general characteristics, values, and attributes which would render a particular location unsuitable, consistent with the policy of minimizing land disposal and encouraging the treatment and recycling of the wastes.

The statewide waste management plans shall be developed consistent with state and federal laws relating to waste;

(25) Perform other acts necessary to carry out the duties and responsibilities described in this section;

(26) Preserve existing clean air resources while ensuring economic growth by issuing regulations, which shall be no more stringent than federal requirements, setting maximum allowable increases from stationary sources over baseline concentrations of air contaminants to prevent significant deterioration in areas meeting the state and national ambient air quality standards;

(27) Promulgate regulations concerning the bonding provisions of subsection (19)(a) of this section, setting forth bonding requirements including, but not limited to, requirements for the amount, duration, release, and forfeiture of the bonds. All funds from the forfeiture of bonds required pursuant to this section shall be placed in the State Treasury and credited to a special trust and agency account which shall not lapse. The account shall be known as the "sewage treatment system rehabilitation fund" and all moneys placed in the fund shall be used for the elimination of nuisances and hazards created by sewage systems which were improperly built, operated, or maintained, and insofar as practicable be used to correct the problems at the same site for which the bond or other sureties were originally provided; ***and***

~~(28)[Develop and implement programs for the development, conservation, and utilization of energy in a manner to meet essential human needs while maintaining the Kentucky economy at the highest feasible level. The programs shall include:~~

~~(a) Central access for collection, maintenance, and analysis of data and information on all forms of energy supplies, demand, conservation, and related subjects;~~

~~(b) Formulation of a contingency plan to cope with any energy shortage which may occur from time to time. The contingency plan shall relate to the curtailment, allocation, planning, and management of all forms of energy;~~

~~(c) Development and implementation of major energy conservation programs involving all sectors of the Kentucky economy including energy audits of educational facilities and state owned buildings; and~~

~~(d) Provision for the application of appropriate technologies with regard to alternate energy development, including the development of solar and other renewable resources and small scale hydroelectric plants, and, promotion, when feasible, of the production of energy from other resources such as solid waste and biomass;~~

~~(29) Enter into agreements, administer grant programs, and serve as liaison with the federal government and other states regarding the programs mandated by subsection (28) of this section; and~~

~~(30)]~~ Promulgate administrative regulations not inconsistent with the provisions of law administered by the cabinet.

Section 43. KRS 224.10-103 is amended to read as follows:

~~[(1)~~ In addition to the powers and duties set out in this and other chapters of the Kentucky Revised Statutes that are vested in the cabinet and the secretary to protect and enhance the state's natural resources and environment, the cabinet and the secretary are also vested with the powers and duties previously vested in the Public Protection and Regulation Cabinet and the Labor Cabinet, and the secretaries of those cabinets, so long as those powers and duties are not contrary to or in conflict with the organization of the cabinet established by statute or by executive order of the Governor, as ratified by the General Assembly.

~~[(2) The Office of Energy Policy shall be transferred to the Commerce Cabinet, Office of the Secretary. All personnel, functions, powers, and duties of the Office of Energy Policy shall be transferred to the Commerce Cabinet.]~~

Section 44. KRS 141.430 is amended to read as follows:

(1) As used in this section, unless the context requires otherwise:

(a) "Approved company" has the same meaning as set forth in KRS 154.48-010;

(b) "Project" has the same meaning as set forth in KRS 154.48-010;

(c) "Tax credit" means the tax credit allowed in KRS 154.48-025;

(d) "Kentucky gross profits" means Kentucky gross profits as defined in KRS 141.0401; and

(e) "Kentucky gross receipts" means Kentucky gross receipts as defined in KRS 141.0401.

(2) An approved company shall determine the income tax credit as follows:

(a) 1. Compute the tax imposed by KRS 141.040 or the tax imposed by KRS 141.020 on the taxable net income of the corporation or taxable net income of the individual for the first taxable ***year***~~[period]~~ after December 31, 2005, that ends immediately prior to the activation date defined in KRS 154.48-010(1);

2. Compute the limited liability entity tax imposed under KRS 141.0401, ***if applicable,*** for the first taxable ***year***~~[period]~~ after December 31, 2005, that ends immediately prior to the activation date defined in KRS 154.48-010(1); and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(b) 1. ***For each taxable year beginning with the year in which the activation date defined in KRS 154.48-010(1) occurs and ending with the year in which the agreement terminates as referenced in KRS 154.48-025(5),*** compute the tax imposed by KRS 141.040 or the tax imposed by KRS 141.020 on the taxable net income for the ***current***~~[first]~~ taxable ***year***~~[period ending after the activation date defined in KRS 154.48-010(1)]~~;

2. Using the same method used under paragraph (a)2. of this subsection, ***for each taxable year beginning with the year in which the activation date defined in KRS 154.48-010(1) occurs and ending with the year in which the agreement terminates as referenced in KRS 154.48-025(5),*** compute the limited liability entity tax imposed under KRS 141.0401 for the ***current***~~[first]~~ taxable ***year***~~[period ending after the activation date defined in KRS 154.48-010(1)]~~; and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(c) The income tax credit shall be the amount that the computation under paragraph (b)3. of this subsection exceeds the amount computed under paragraph (a)3. of this subsection, subject to the limitations provided by KRS 154.48-025.

(3) An approved company that is a pass-through entity not subject to the tax imposed by KRS 141.040 shall be subject to income tax on the net income attributable to the project at the rates provided in KRS 141.020. The amount of the credit shall be determined as provided in subsection (2) of this section. The credit shall apply to both the tax imposed by KRS 141.0401 and the tax imposed by KRS 141.020, with the ordering of credits as provided in KRS 141.0205. Upon the annual election of the approved company, in lieu of the tax credit, an amount shall be applied as an estimated tax payment equal to the tax computed in this section. Any estimated tax payment made pursuant to this paragraph shall be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and shall be paid on behalf of the partners, members, shareholders, or beneficiaries.

(4) The department~~[of Revenue]~~ may ***promulgate***~~[issue]~~ administrative regulations and require the filing of forms designed by the department~~[of Revenue]~~ to reflect the intent of the provisions of this section.

SECTION 45. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

As used in Sections 45 to 49 of this Act:

(1) "Alternative fuels" means:

(a) Alternative transportation fuels as defined in Section 38 of this Act;

(b) Synthetic natural gas as defined in Section 38 of this Act;

(c) Biodiesel produced from biomass resources as defined in Section 38 of this Act that is used for purposes other than transportation fuel;

(d) Ethanol as defined in Section 20 of this Act;

(e) Cellulosic ethanol as defined in Section 20 of this Act; and

(f) Any other fuel that is produced from a renewable or sustainable source;

(2) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, person, group, or other entity engaged in research and development and commercialization related to, or the production of, alternative fuels or renewable energy;

(3) "Kentucky-based" means a business with its principal place of business in Kentucky or at least fifty-one percent (51%) of its property and payroll located in Kentucky;

(4) "Qualified company" means an eligible company that may be granted funding pending final approval;

(5) "Renewable energy" means electricity produced by hydropower, solar power, landfill methane gas, wind power, geothermal, biomass, or other renewable sources; and

(6) "KSTC" means the Kentucky Science and Technology Corporation, which is an independent, nonprofit organization with a statewide mission and demonstrated history of managing complicated programs in the areas of entrepreneurial innovation, research and development, and science and technology advancement.

SECTION 46. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) The cabinet shall have all the powers and authority, not explicitly prohibited by statute, necessary and convenient to carry out and effectuate the purposes of Sections 45 to 49 of this Act, including but not limited to:

(a) Entering into contracts or agreements necessary or incidental to the performance of its duties, functions, and responsibilities; and

(b) Soliciting, borrowing, accepting, receiving, and expending funds from any public or private source, including but not limited to general fund appropriations of the Commonwealth, grants, or contributions of money, property, labor, or other things of value to be used to carry out the program's operations, functions, and responsibilities.

(2) The cabinet may expend money in the fund created in Section 47 of this Act for reasonable administrative expenses directly incurred in carrying out the requirements of Sections 45 to 49 of this Act. It is the intent of the General Assembly that the fund created in Section 47 of this Act be used, to the fullest extent possible, to directly fund project costs. It is also the intent of the General Assembly that revenues available that are generated through investments of the fund be redeposited in the fund and that those amounts shall be considered in establishing general fund appropriations.

(3) The cabinet shall contract with the KSTC to administer the program created in Sections 45 to 49 of this Act. The cabinet shall approve the application criteria, the process for submission of an application, and the structure and type of outside expertise or peer review used in the application review process in the program created in Sections 45 to 49 of this Act.

(4) No member of the cabinet or the KSTC or other administering entity, or their employees or outside experts or their immediate family members, shall directly or indirectly financially benefit in any award, contract, or agreement under the program.

(5) The cabinet and KSTC shall submit a joint annual report prior to October 15 to the Governor and the General Assembly detailing its work related to the program created in Sections 45 to 49 of this Act. The annual report shall include but not be limited to reporting on the progress made in achieving the program's purposes, qualitative and quantitative information concerning the applications received, projects approved and undertaken, companies served, funding amounts invested in each project, and findings and recommendations to increase the program's effectiveness in achieving its purposes.

(6) All records related to the administration of the program created in Sections 45 to 49 of this Act shall be deemed property of the cabinet and shall be open records and subject to public inspection under KRS 61.870 to 61.884. Any research or information that involves or is a patent, trade secret, or other legally protectable interest shall be exempt from inspection until the intellectual property rights have been fully protected.

SECTION 47. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

There is created in the State Treasury the "Kentucky alternative fuel and renewable energy fund" for the purpose of enabling Kentucky-based companies to undertake research and development and commercialization in the area of alternative fuel or renewable energy. The fund may receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9). Any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Alternative Fuel and Renewable Energy Fund Program.

SECTION 48. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) There is created in the cabinet a Kentucky Alternative Fuel and Renewable Energy Fund Program to provide funding to Kentucky-based companies to undertake research and development and commercialization work in the area of alternative fuels and renewable energy.

(2) The purpose of the Kentucky Alternative Fuel and Renewable Energy Fund Program is to:

(a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth of Kentucky-based companies involved in the areas of alternative fuels or renewable energy;

(b) Support research and development activities that have clear potential to lead to commercially successful products, processes, or services in the areas of alternative fuels or renewable energy within a reasonable period of time;

(c) Stimulate growth-oriented alternative fuel and renewable energy enterprises within the Commonwealth;

(d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's universities, and research organizations in alternative fuels and renewable energy; and

(e) Promote research and development and commercialization activities in alternative fuels and renewable energy that are market-oriented.

SECTION 49. A NEW SECTION OF SUBCHAPTER 20 KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) The KSTC shall have the authority to review applications, qualify companies, and certify qualified companies.

(2) The KSTC shall develop application criteria and an application process.

(3) The KSTC shall focus on providing support to research and development projects that are likely to:

(a) Produce a measurable result and be technically sound;

(b) Lead to innovative technology or new knowledge;

(c) Lead to commercially successful products, processes, or services within a reasonable period of time; or

(d) Show significant potential for stimulating innovation-driven economic growth and a reasonable probability to enhance employment opportunities within the Commonwealth.

(4) An eligible company may submit to the KSTC an application for funding. The application shall include but not be limited to the following information:

(a) Verification that the applicant is an eligible company that is Kentucky-based;

(b) A technical research and commercialization plan that is sufficient for outside expert review;

(c) A detailed financial analysis that includes the commitment of resources by the applicant and others;

(d) Sufficient detail concerning proposed project partners, type and amount of work to be performed by each partner, and expected product or service with estimated costs to be reflected in the negotiated contract or agreement;

(e) A statement of the economic development potential of the project; and

(f) Any other information the KSTC may require.

(5) The KSTC shall conduct an independent review using internal and external resources to evaluate each application. Following the application review, the KSTC shall make a written determination of whether the applicant is a qualified company as defined in Section 45 of this Act.

(6) Before a qualified company is approved for funding, the qualified company shall negotiate an agreement and funding contract that is satisfactory to the KSTC with any project partners to undertake the research and development work.

(7) Upon a qualified company's presentation of a legal agreement or contract meeting the conditions under subsection (6) of this section, the KSTC shall negotiate the terms for funding with the qualified company and shall enter into a contract with the qualified company if an agreement is reached.

(8) Any agreement shall include a provision that a qualified company shall, at a minimum, match the funding provided through the KSTC on a one-to-one dollar ratio for each year of the project. The KSTC shall have sole discretion to authorize an in-kind contribution in lieu of part of the match required for the qualified company, if the KSTC determines that the financial limitations of the qualified company, warrant this authorization.

(9) The KSTC may negotiate with the qualified company the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky alternative fuel and renewable energy fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the provisions of Sections 45 to 49 of this Act.

(10) The KSTC, upon approval by the cabinet, shall issue guidelines for statewide notification of the program's availability and a program schedule, including but not limited to an application review cycle including:

(a) A deadline for submission of applications, which shall be at least biennially; and

(b) A deadline for completing the review of applications, which shall not exceed five (5) months after the application submission deadline.

Section 50. The Public Service Commission shall examine existing statutes relating to its authority over public utilities, and shall, on or before July 1, 2008, make recommendations to the Legislative Research Commission regarding the following issues:

(1) Eliminating impediments to the consideration and adoption by utilities of cost-effective demand-management strategies for addressing future demand prior to Commission consideration of any proposal for increasing generating capacity;

(2) Encouraging diversification of utility energy portfolios through the use of renewables, and distributed generation;

(3) Incorporating full-cost accounting that considers and requires comparison of life-cycle energy, economic, public health, and environmental costs of various strategies for meeting future energy demand; and

(4) Modifying rate structures and cost recovery to better align the financial interests of the utility with the goals of achieving

energy efficiency and lowest life-cycle energy costs to all classes of ratepayers.

Section 51. The Legislative Research Commission shall designate legislative staff to study energy-efficient building and construction practices.

(1) The study shall review current building practices that promote energy efficiency and the current structure of tax incentives relative to energy efficiency in construction and building operating systems, including:

(a) Methods currently employed to increase energy efficiency in building design and construction;

(b) Energy-efficient methods currently available to decrease the amount of energy used by the operating systems of buildings;

(c) Identification of currently known methods of improving energy efficiency that may become commercially viable in the future; and

(d) Identification of incentives to encourage improvements in energy-efficient building methods and the use of energy-saving building components and operating systems that are currently in use or are proposed, including:

1. Current and proposed federal incentives;

2. Current and proposed incentives offered in other states;

3. Current and proposed incentives offered by local governments of this and other states; and

4. Recommendations regarding state building, plumbing, electrical, and other construction-related codes and efficiency certification programs, that could increase efficiency in building design, construction, and operating systems.

(2) The study shall be completed by November 1, 2008, with a written report presented to the Interim Joint Committee on Appropriations and Revenue and the Special Subcommittee on Energy by December 1, 2008.

(3) Provisions of this section to the contrary notwithstanding, the Legislative Research Commission shall have the authority to alternatively assign the issues identified herein to an interim joint committee or subcommittee thereof, and to designate a study completion date.

Section 52. The General Assembly recognizes the importance of proactively addressing the issue of carbon management in existing coal-fired power plants, and carbon emissions in general. Therefore, the General Assembly directs the Governor's Office of Energy Policy, the University of Kentucky Center for Applied Energy Research, the Geological Survey at the University of Kentucky, the Public Service Commission, and the Environmental and Public Protection Cabinet to collaboratively produce a report and recommendations to be presented to the Legislative Research Commission on or before November 30, 2007. The report shall address the following:

(1) The current status of research and technology to manage carbon dioxide in existing coal-fired power plants;

(2) Existing sources of support for research related to managing carbon dioxide in existing coal-fired power plant and the adequacy of such sources;

(3) The estimated capital and energy costs associated with installing the technology or upgrading existing coal-fired power plants to better manage carbon;

(4) Identification of specific potential research projects and demonstration projects to enhance the development and deployment of new technology in this area; and

(5) Identification of the types of incentives or other government assistance that would be helpful in supporting the development and implementation of new technologies to reduce carbon emissions at existing coal-fired power plants, including strategies for isolation, capture, and management of carbon dioxide.

In addition, the report shall address the following with regard to carbon dioxide emissions:

(1) The current status of research and technology in the capture and sequestration of carbon dioxide;

(2) Identification of marketing opportunities and uses for carbon dioxide as a value-added commodity, the maturity and long-term feasibility of those markets, the potential for carbon utilization relative to the anticipated generation of carbon, and the economic and environmental risks associated with these uses of carbon dioxide;

(3) Identification of other uses for carbon dioxide and the feasibility of large-scale implementation of such uses;

(4) Identification of feasible methods for capturing and transporting carbon dioxide from the generation point to end users, including the construction of carbon dioxide pipelines, rail transportation, or other means, and the positives and negatives for each method;

(5) Identification of any issues or concerns relating to carbon dioxide that are unique to Kentucky;

(6) Assessment of long-term risks and uncertainties associated with carbon-management options;

(7) Identification of existing collaborative efforts and partnerships developed to address carbon dioxide issues that Kentucky participates in; and

(8) Identification of the types of incentives or other government assistance necessary to support the development and implementation of new technologies to capture and sequester carbon.

The Governor's Office of Energy Policy, the University of Kentucky Center for Applied Energy Research, the Geological Survey at the University of Kentucky, the Public Service Commission, and the Environmental and Public Protection Cabinet are encouraged to consult and collaborate with stakeholders, including industry partners, research institutes, and other universities to develop the report and recommendations.

SECTION 53. A NEW SECTION OF KRS CHAPTER 164A IS CREATED TO READ AS FOLLOWS:

(1) It is the intent of the General Assembly to establish a student loan forgiveness program for individuals who receive a bachelor's degree or graduate degree from a Kentucky college or university after the effective date of this Act and who are employed as engineers, engineering technologists, chemists, geologists, or hydrologists in Kentucky. The loan forgiveness program shall be funded by the Commonwealth of Kentucky using state appropriations and shall be administered by the Kentucky Higher Education Student Loan Corporation. All costs associated with the program shall be paid for by the Commonwealth of Kentucky, including the reimbursement of any expenses incurred by the corporation in its administration of the program.

(2) To the extent funds are available, the corporation shall provide eligible individuals forgiveness of loans within the Federal Family Education Loan Program held by the corporation up to a maximum of:

(a) Twenty percent (20%) of the loan balance principal; and

(b) Accrued interest;

for each year of qualified employment in Kentucky after the effective date of this Act in an eligible occupation as set forth in subsection (4) of this section.

(3) An individual shall be eligible for the loan forgiveness if he or she:

(a) Is a Kentucky resident, as determined by the corporation using the criteria established by the Council on Postsecondary Education for the purposes of postsecondary admission and tuition assessment;

(b) Is a citizen of the United States;

(c) Received a bachelor's degree or graduate degree after the effective date of this Act from a postsecondary education institution in Kentucky that is accredited by a regional or national accrediting association; and

(d) Is employed full-time in Kentucky in an eligible occupation as set forth in subsection (4) of this section.

(4) Qualified employment in an eligible occupation shall be employment in an energy-related field as an engineer, including environmental engineer; engineering technologist, including environmental engineering technologist; chemist; geologist; or hydrologist. The corporation shall establish the specific eligible occupational titles within the eligible occupations set forth in this subsection through the promulgation of administrative regulations using the Standard Occupational Classification System of the Bureau of Labor Statistics within the U.S. Department of Labor. The corporation shall consult with the Council on Postsecondary Education in determining eligible occupational titles.

(5) The corporation shall promulgate administrative regulations in accordance with KRS Chapter 13A as may be needed for the administration of the loan forgiveness program.

SECTION 54. A NEW SECTION OF KRS CHAPTER 158 IS CREATED TO READ AS FOLLOWS:

(1) Subject to the availability of funds, the Kentucky Department of Education shall establish an energy technology career track program. The purpose of the program is to provide grants to school districts to develop and implement an energy technology engineering career track across middle and high schools within the district. Program components may include but not be limited to career exploration and counseling, strategies to increase the rigor of instruction in pertinent core content areas, strategies to link core content to an energy technology career focus, professional development for teachers, and cooperative learning opportunities with industry and postsecondary institutions.

(2) The Kentucky Board of Education shall promulgate administrative regulations for the administration of the energy technology career track program. The Kentucky Department of Education shall administer the program, approve grant recipients, and distribute the funds to local school districts.

Section 55. (1) It is the intent of the General Assembly to establish a collaborative to develop a plan for the creation of a Center for Renewable Energy Research and Environmental Stewardship. The mission of the center shall be to provide leadership, research, support, and policy development in renewable energy, to advance the goal of sustainable energy and to promote technologies, practices, and programs that increase efficiency in energy utilization in homes, businesses, and public buildings. The planning collaborative shall consist of the state universities, the Kentucky Community and Technical College System, the Governor's Office of Energy Policy, and any other stakeholders, including other colleges and universities, energy producers, business groups, energy conservation organizations, and consumers identified by the Advisory Conference of Presidents established by KRS 164.021 as part of the plan required by subsection (2) of this section.

(2) The Advisory Conference of Presidents shall develop a proposed plan for the establishment of a Center for Renewable Energy Research and Environmental Stewardship.

(3) In developing the plan, the Conference of Presidents shall:

(a) Collaborate with the entities listed in subsection (1) of this section and any other identified stakeholders to solicit input and recommendations; and

(b) In developing proposed strategies for the center, consider the recommendations of the Governor's Comprehensive

Energy Strategy; "Kentucky Energy - Opportunities for our Future" relating to renewable energy and energy efficiency; and the Final Report and Recommendations of the Environmental and Public Protection Cabinet Task Force on Energy Efficiency.

(4) The proposed plan shall be submitted to the Legislative Research Commission on or before November 30, 2007.

(5) The plan shall include the following components:

(a) A description of the proposed structure for the operation of a Center for Renewable Energy Research and Environmental Research, including leadership, oversight, and governance;

(b) Proposed strategies to achieve the purposes of the center;

(c) A list of collaborative partners and a description of the role to be played by each of the collaborative partners; and

(d) Recommended funding necessary to implement the proposed plan.

Section 56. The following KRS sections are repealed:

152.750 Policy of Commonwealth -- Implementation.

152.755 Contracts for development or demonstration projects.

152.760 Revenue bonds.

152.762 Bonds, how to be secured.

152.765 Deposit of proceeds from contracts.

152.770 Limitation of Commonwealth's liability and claims.

152.775 Termination of Commonwealth participation -- Repayment.

152.780 Administrative staff.

152.785 Energy development and demonstration trust fund -- Indemnity account.

Section 57. There is hereby appropriated $5,000,000 in fiscal year 2007-2008 from the General Fund to the Governor's Office of Energy Policy for the purpose of entering into a memorandum of agreement with the Kentucky Geological Survey at the University of Kentucky to conduct research, either itself or in collaboration or under contract with other entities, to quantify the potential for enhanced oil and gas recovery and enhanced coalbed methane recovery using carbon dioxide. The research shall include the drilling of deep wells in both coal fields (Illinois and Appalachian) in Kentucky, and performing the analysis necessary to estimate the potential for enhanced oil and gas recovery, enhanced coalbed methane recovery, or permanent storage of sequestration of carbon dioxide. At least one of the wells will test the Devonian shale for enhanced gas recovery and sequestration potential. The Kentucky Geological Survey is encouraged to use these funds to match available federal and private funds to the extent possible. The Governor's Office of Energy Policy shall report to the Legislative Research Commission by December 1, 2007, regarding the status of the research project with this appropriation.

Section 58. There is hereby appropriated $2,000,000 in fiscal year 2007-2008 from the General Fund to the University of Kentucky to develop the fundamental knowledge, applied science, and engineering necessary to allow industry to rapidly incorporate alternative fuel production technologies into plant design and construction. These funds shall be used by the University of Kentucky Center for Applied Energy Research to:

(1) Upgrade the existing Fischer-Tropsch facility to allow use of modular reactor and downstream processing systems;

(2) Install biomass gasification and gas cleaning capabilities to study the utilization of biomass in the production of Fischer-Tropsch fuels;

(3) Develop a biofuels laboratory for production, characterization, and testing of biomass derived fuels, with a focus on biodiesel, bio-oils, and biomass derived Fischer-Tropsch liquids; and

(4) Expand programs for the capture and utilization of carbon dioxide from coal or biomass electric power generation or Fischer-Tropsch fuel facilities.

The University of Kentucky Center for Applied Energy Research is encouraged to use these funds to match available federal and private funds to the extent possible. It is the intention of the General Assembly to provide a base amount of funding for the University of Kentucky Center for Applied Energy Research in the minimum amount of $2,000,000 in subsequent fiscal years so that the Center may expand its research capabilities.

Section 59. There is hereby appropriated $300,000 in fiscal year 2007-2008 from the General Fund to the Kentucky Department of Education to support the energy technology career track program established by Section 54 of this Act.

Section 60. There is hereby appropriated $100,000,000 in bond funds for fiscal year 2007-2008 to the Cabinet for Economic Development, Department of Financial Incentives, Energy Projects Economic Development Bond Pool. The bond proceeds are to be used by the Kentucky Economic Development Finance Authority for advance disbursement incentives authorized in Section 9 of this Act. Bond proceeds of up to $10,000,000 of this authorization may be used for an advanced manufacturing economic development project that invests $500,000,000 or more in the Commonwealth and produces a renewable energy source product. Bond proceeds of up to $5,000,000 of this authorization may be deposited in the Kentucky Alternative Fuel and Renewable Energy Fund created in Section 47 of this Act and shall be used by the Kentucky Science and Technology Corporation to provide funding for Kentucky-based companies to undertake research and development and commercialization in

the area of alternative fuel or renewable energy as provided in Sections 45 to 49 of this Act.

There is hereby appropriated $5,319,500 from the General Fund for fiscal year 2007-2008 to the Cabinet for Economic Development, Department of Financial Incentives, for half-year debt service to support the bond authorization as set forth above.

Section 61. Whereas it is crucial that the Commonwealth be competitive in offering incentives to encourage the development of new energy resources, and whereas decisions are being made at the present time that could impact the Commonwealth's ability to achieve this goal, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Motions, Petitions, and Communications

Representative Adkins announced the House convening times for the remainder of the week: Tuesday, August 21, 2007, at 4:00 p.m.; Wednesday, August 22, 2007, at 10:00 a.m.; Thursday, August 23, 2007, at 5:00 p.m.; and Friday, August 24, 2007, at 10:00 a.m.

Representative Adkins moved to recommit **HB 1** to the Committee on Appropriations and Revenue. Agreed.

Representative Adkins moved that the rules be suspended for the introduction and posting of Bills and Resolutions and for Committee Reports. Agreed.

Introduction of Bills and Resolutions (Continued)

HR 3, by Representative L. Belcher: A RESOLUTION adjourning the House of Representatives in loving memory and honor of Patricia Ann Whitney.

HR 4, by Representative Comer: A RESOLUTION adjourning the House of Representatives in loving memory and honor of John Paul Blevins.

HR 5, by Representatives Koenig and Draud: A RESOLUTION adjourning the House of Representatives in loving memory and honor of James Lee Shumate.

HR 6, by Representatives Webb, Couch, Arnold, Siler, Miller, Spencer, Hall, Combs, Gooch, Collins, Yonts, Nelson, Rollins, and Ballard: A RESOLUTION expressing condolences to the families of the coal miners trapped or injured in the August 6, 2007, roof collapse at the Crandall Canyon mine and to the rescue workers who lost their lives or were injured in a brave attempt to rescue them.

Motions, Petitions, and Communications (Continued)

Representative Baugh moved the adoption of the following **Legislative Citation No. 2.**

The House of Representatives of the Commonwealth of Kentucky does hereby adjourn this legislative day in loving memory and honor of Paul Everett Young, Jr. of Allensville, Kentucky, and joins with Representative Sheldon Baugh in expressing deepest sympathy to the Young Family and all who share in the profound loss of this esteemed citizen. Preceded in death by his parents, Esther Walton Young and Paul Everett, Young, Sr., he is survived by his beloved wife, Polly Young, sons, Paul Everett Young III and his wife, Lisa, and Sloan W. Young; sister and brother-in-law, Carolyn and Buster Vick; three cherished grandchildren; and, a host of other family members, friends and loved ones. This esteemed citizen, a farmer; a former board member of the South Logan Water Association; and, a faithful member of the Allensville United Methodist Church, is remembered on this day for the many and generous contributions he made to his family, friends and the community. Paul Everett Young, Jr. will be deeply missed by all those whose lives were touched by his remarkable presence.

Done in Frankfort, Kentucky, this twentieth day of August, in the year two thousand and seven.

Legislative Citation No. 2 was adopted without objection.

Representative Koenig moved the adoption of the following **HR 5**:

HR 5, A RESOLUTION adjourning the House of Representatives in loving memory and honor of James Lee Shumate.

WHEREAS, James Lee Shumate was born on April 15, 1939, in Covington, Kentucky, the son of Charles Shumate and Anna Jordan Shumate; and

WHEREAS, James Shumate was a basketball standout at Dixie Heights High School and played one year at Furman University on a basketball scholarship; and

WHEREAS, James Shumate left college and began a career in banking at the Covington Trust Bank in 1958. He was promoted to vice president and secretary in 1971 and remained in that position until he retired in 2002. The bank was acquired by Huntington Bank in 1978. Mr. Shumate served with sound business judgment, loyalty, and conscientious dedication to the business affairs and operations of the bank for over forty years; and

WHEREAS, James Shumate loved sports from the time he was a small boy and not only enjoyed participating in basketball, baseball, football, and golf, but also enabled others to enjoy sports by coaching and assisting numerous teams and individuals for over thirty-five years. He was head coach and president of the Northern Kentucky Bengal Tigers Youth Football organization from 1970 to 1980, was coach and treasurer of the Cottage A. C. baseball and basketball teams from 1971 to 1977, was assistant varsity and freshman basketball coach at Dixie Heights High School from 1994 to 1997 and again from 2004-2006. He was freshman basketball coach at Scott High School from 1998 until 2004; and

WHEREAS, James Shumate was a member of the Covington Turners Athletic Club, the Fort Wright Business Association, the Covington Jaycees, the Kenton County Golf League, the Northern Kentucky Sports Hall of Fame, the Kenton County Republican Party, the Summit Hills Country Club, the Order of Kentucky Colonels, and was treasurer of the Covington Catholic High School Boosters; and

WHEREAS, James Shumate was the husband of Shirley Ann Frommeyer Shumate for forty-seven years and the father of one daughter, Kelley Lynn Nevels, and four sons; Gregory, Richard, James, and Thomas Shumate. His family was of prime importance to him and the source of his greatest pride and joy; and

WHEREAS, James Lee Shumate departed this life on July 14, 2007, and has left a large void in the lives of his family, friends, and young sports enthusiasts and the residents of Northern Kentucky.

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives expresses its sympathy upon the passing of James Lee Shumate and extends its sincere condolences to his wife; children; two sisters, Carol Canady and Cheryl Rinaldi; three brothers, Charles Shumate, Robert Shumate, and William Shumate; his eleven grandchildren; and the communities of Northern Kentucky.

Section 2. When the House of Representatives adjourns this day, it does so in loving memory and honor of James Lee Shumate.

Section 3. The Clerk of the House of Representatives is directed to transmit a copy of this Resolution to Shirley Ann Shumate, 1731 Monticello Drive, Covington, Kentucky 41011.

There being no objection, **HR 5** was adopted.

Representative L. Belcher moved the adoption of the following **HR 3**:

HR 3, A RESOLUTION adjourning the House of Representatives in loving memory and honor of Patricia Ann Whitney.

WHEREAS, Patricia Ann Whitney was born on December 28, 1949, in Louisville, Kentucky, the daughter of the late Jim Huffines and Lillian Graston; and

WHEREAS, Patricia Ann Whitney's greatest blessing, joy, and source of pride was her cherished family. She was the loving wife of 39 years of Benny B. Whitney and the mother of two sons, Benny B. Whitney, Jr., and Todd Whitney. She filled their home with love, warmth, graciousness, and encouragement; and

WHEREAS, Patricia Ann Whitney spent over 20 years of her life as a teacher's assistant at Brooks Elementary School in Shepherdsville, Kentucky. She valued education and was dedicated to helping the teachers in every way possible and to making each day special. She inspired not only the students but also the teachers and staff. Her positive attitude and kind, gentle, and loving spirit were the source of encouragement and enthusiasm and helped to make learning interesting and fun. She spent many hours in the evenings baking cookies and preparing treats for the children. When a child did not have funds to pay for needed supplies or lunch money, she quietly and lovingly provided the money with no desire for acknowledgment or repayment; and

WHEREAS, Patricia Ann Whitney also served as a bus monitor and took special care to make sure that each student understood the importance of safety and being courteous to others; and

WHEREAS, Patricia Ann Whitney was also an enthusiastic supporter of education outside the classroom and was a member of both the Bullitt County Education Association and the Kentucky Education Association; and

WHEREAS, Patricia Ann Whitney loved her God and faithfully lived her life in accordance with His teachings by unselfishly giving her time, talents, and efforts to help others. She was a member of Bethlehem Baptist Church of Louisville, Kentucky;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives acknowledges the large void left in Bullitt County and expresses its deepest sympathy upon the passing of Patricia Ann Whitney to her beloved husband; her two sons; her mother; her sister, Sandi

Daunhauer; her brother, Jay Huffines; a host of other relatives; the teachers, staff, and students at Brooks Elementary School; her many friends; and the residents of Shepherdsville and Bullitt County.

Section 2. When the House of Representatives adjourns this day, it does so in loving memory and honor of Patricia Ann Whitney.

Section 3. The Clerk of the House of Representatives is hereby directed to transmit a copy of this Resolution to Benny B. Whitney, 1304 West Hebron Lane, Shepherdsville, Kentucky 40165.

There being no objection, **HR 3** was adopted.

Representative Richards moved the adoption of the following **Legislative Citation No. 1.**

The House of Representatives of the Commonwealth of Kentucky hereby adjourns this legislative day in memory and honor of John B. Gaines and joins with Speaker Jody Richards in expressing deepest sympathy to the Gaines Family and all who share in the profound loss of this esteemed citizen, the president and chairman of the board of News Publishing LLC, which operates the Daily News, a newspaper founded by his grandfather which has remained in the Gaines family since its inception. Preceded in death by his parents, Clarence McElory Gaines and Elizabeth Brown Gaines, and his beloved wife, Mabel Sharp Gaines, he is survived by his son and daughter-in-law, John Pipes Gaines and Susan Leonard Gaines; daughters and sons-in-law, Mollie Gaines Smith and S. Russel Smith, Jr., and Mary Gaines Dunham and David Lee Dunham; grandsons, John Scott Gaines, Stephen Wilson Gaines, S. Russell Smith III and John Brooken Smith and his wife Katie; and, a host of other family members, friends, colleagues and loved ones. Educated at Western Kentucky University and the University of Alabama, where he earned a degree in journalism, John Gaines, whose involvement with the Daily News began in 1938 and who was named publisher in 1947 and president in 1997, passionately loved the newspaper and the Bowling Green community. The 1980 recipient of the Edwards M. Templin Memorial Award presented annually by the Lexington Herald-Leader in recognition of his outstanding community service, John Gaines was very active in both the community and in the news publishing industry, serving as president of the Southern Newspaper Publishers Association and the Kentucky Press Association. Devoted to his family and friends, his profession and his community; an avid fisherman, dove hunter and traveler; a former member of the Calendar Club literary group and the Bowling Green Noon Rotary Club; a member of the Society of Professional journalists; and a charter member of the Bowling Green-Warren County Jaycees, John B. Gaines is remembered on this day with the greatest affection for the many and generous contributions he made to his family, the community and this great Commonwealth. He conducted both his professional and personal life in such a way that commanded the highest regard and was described by those who knew and loved him as "a treasure--a great man of integrity, manners and respect." He will be deeply missed by all those whose lives were touched by his remarkable presence.

Done in Frankfort, Kentucky, this twentieth day of August, in the year two thousand and seven.

Legislative Citation No. 1 was adopted without objection.

The following members filed requests to have their names added as co-sponsors of a Bill:

HB 1, Representatives Henley, B. Smith, Harmon, Couch, Rand, Stewart, Thompson, and Vincent

Announcements

Committee on Appropriations and Revenue, upon adjournment, Room 154

Committee on Appropriations and Revenue, Tuesday, 10:00 a.m., Room 154

Capital Projects and Bond Oversight Committee, Tuesday, noon

Adjournment

Representative Adkins moved to adjourn until the hour of 4:00 p.m. on Tuesday, August 21, 2007.

The motion that the House adjourn until 4:00 p.m. on Tuesday, August 21, 2007, was adopted by voice vote.

TUESDAY, AUGUST 21, 2007

SECOND LEGISLATIVE DAY

The House was called to order by Speaker Richards.

Prayer was offered by Reverend Alan Sorem, South Frankfort Presbyterian Church, Frankfort, Kentucky.

The Speaker led the members in the Pledge of Allegiance to the Flag.

The roll was called. All members were present except Representatives Bratcher, Dedman, Farmer, Hoover, Kerr, Moore, and Stein.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved that the reading of the Journal of August 20, 2007, be dispensed with and the same approved. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording on the next legislative day to do so if they have filed the proper papers with the clerk. Agreed.

Introduction of Bills and Resolutions

HR 7, by Representative Ballard: A RESOLUTION adjourning the House of Representatives in honor of Hopkins County Jailer Joe Blue for his innovative plan to save public funds and feed inmates at the Hopkins County Detention Center and others.

Report of Committees

The Committee on Appropriations and Revenue reported **HB 1,** with Committee Substitute attached thereto, with the expression of opinion that the same should pass. Read for the second time and referred to the Committee on Rules.

The Committee Substitute to **HB 1** is as follows:

HB 1, AN ACT relating to the advancement of energy policy, science, technology, and innovation in the Commonwealth, making an appropriation therefor, and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. SUBCHAPTER 27 OF KRS CHAPTER 154 IS ESTABLISHED AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

As used in this subchapter:

(1) "Activation date" means the date on which an approved company begins incurring recoverable costs or engaging in recoverable activity pursuant to the tax incentive agreement. The activation date shall be set forth in the tax incentive agreement and shall be a date within five (5) years of the date of final approval of the tax incentive agreement. The authority may extend the five (5) year period to no more than seven (7) years upon written application for an extension by the approved company. To implement the activation date, the approved company shall notify the authority of its intent to activate the tax incentives authorized in the tax incentive agreement. The activation date shall apply to all incentives included in the tax incentive agreement regardless of whether the approved company has met the requirements to receive all incentives at that time. If the approved company does not implement the activation date before the date established in the tax incentive agreement, the activation date shall be the date established in the tax incentive agreement;

(2) "Affiliate" has the same meaning as in KRS 154.22-010;

(3) (a) "Alternative fuel facility" means a facility located in Kentucky that is newly constructed on or after the effective date of this Act, or an existing facility located in Kentucky that is retrofitted or upgraded on or after the effective date of this Act, and that, after the new construction, retrofit, or upgrade primarily produces for sale alternative transportation fuels. For a retrofit of an existing facility, the new modification or addition within the facility shall primarily produce alternative transportation fuel for sale.

(b) The alternative fuel facility may produce electricity as a by-product if the primary purpose for which the facility is constructed, retrofitted, or upgraded, and the primary function of the facility remains the production and sale of alternative transportation fuels;

(4) "Alternative transportation fuels" has the same meaning as in Section 38 of this Act;

(5) "Approved company" means a corporation, limited liability company, partnership, registered limited liability

partnership, sole proprietorship, business trust, or any other entity approved for incentives for an eligible project;

(6) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;

(7) "Base amount" means the tons of coal purchased and used or severed and used by the approved company as feedstock for an eligible project during the twelve (12) months prior to the month in which the approved company first begins receiving incentives under Sections 6 and 11 of this Act, that were subject to the tax imposed by KRS 143.020;

(8) "Biomass resources" has the same meaning as in Section 38 of this Act;

(9) (a) "Capital investment" means:

1. Obligations incurred for labor and to contractors, subcontractors, builders, and materialmen in connection with the acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project;

2. The cost of acquiring land or rights in land and any cost incident thereto, including recording fees;

3. The cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project which is not paid by the contractor or otherwise provided;

4. All costs of architectural and engineering services, including test borings, surveys, estimates, plans, specifications, preliminary investigations, supervision of construction, and the performance of all the duties required by or consequent upon the acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project;

5. All costs required to be paid under the terms of any contract for the acquisition, construction, installation, equipping, upgrading, or retrofitting of an eligible project; and

6. All other costs of a nature comparable to those described in this subsection.

(b) "Capital investment" does not include costs described in paragraph (a) of this subsection that are paid for with funds received from the federal government or that are reimbursed by the federal government;

(10) "Carbon capture ready" means planning for or anticipating capture of carbon dioxide in a manner to facilitate continued operation of the facility in compliance with applicable federal requirements;

(11) "Center for Applied Energy Research" means the University of Kentucky Center for Applied Energy Research;

(12) "Commonwealth" means the Commonwealth of Kentucky;

(13) "Construction period" means the period beginning with the activation date of the eligible project and ending on a date set forth in the tax incentive agreement, which shall be no later than five (5) years from the activation date;

(14) "Department" means the Department of Revenue;

(15) "Eligible project" means:

(a) An alternative fuel facility or a gasification facility meeting the investment requirements of Section 2 of this Act; or

(b) A renewable energy facility meeting the investment requirements of Section 2 of this Act;

(16) "Estimated labor component" means the projected percentage of the total capital investment attributable to labor;

(17) (a) "Facility" means a single location within the Commonwealth at which machinery and equipment are used in a manufacturing process that transforms raw materials into a product with commercial value.

1. The facility shall include the physical plant structure where the manufacturing process occurs and machinery and equipment within the physical plant structure.

2. The facility may include:

a. On-site machinery and equipment used exclusively for processing coal or other raw materials for use in the manufacturing process at the facility;

b. For an alternative fuel facility or gasification facility, on-site power station operations, if those operations are primarily used to produce electricity for the facility;

c. On-site refining operations, if those operations are used exclusively to refine and blend fuels produced by the facility; and

d. The in-state portion of a pipeline, including appurtenant facilities, property rights, and easements, if the exclusive purpose of the pipeline is to transport carbon dioxide from the facility to a point of sale, storage, or other carbon management applications.

(b) "Facility" shall not include any mining operations;

(18) "Gasification process" means a process that converts any carbon-containing material into a synthesis gas composed primarily of carbon monoxide and hydrogen;

(19) (a) "Gasification facility" means a facility located in Kentucky that is newly constructed on or after the effective date of this Act, or an existing facility located in Kentucky that is retrofitted or upgraded on or after the effective

date of this Act, and that, after the new construction, retrofit, or upgrade, primarily produces for sale:

1. Alternative transportation fuels;

2. Synthetic natural gas;

3. Chemicals;

4. Chemical feedstocks; or

5. Liquid fuels;

from coal, waste coal, coal processing waste, or biomass resources, through a gasification process. For a retrofit of an existing facility, the new modification or addition within the facility shall primarily produce one (1) or more of the products set forth in this paragraph;

(b) The gasification facility may produce electricity as a by-product if the primary purpose for which the facility is constructed, retrofitted, or upgraded, and the primary function of the facility remains the production and sale of alternative transportation fuels, synthetic natural gas, chemicals, chemical feedstocks, or liquid fuels;

(20) "Kentucky gross profits" shall have the same meaning as in KRS 141.0401;

(21) "Kentucky gross receipts" shall have the same meaning as in KRS 141.0401;

(22) "Office" means the Governor's Office of Energy Policy created by Section 37 of this Act;

(23) "Post-construction incentives" means the incentives available under Sections 6 and 8 of this Act;

(24) "Renewable energy facility" means a facility located in Kentucky that is newly constructed on or after the effective date of this Act, or an existing facility located in Kentucky that is retrofitted or upgraded after the effective date of this Act, and that, after the new construction, retrofit, or upgrade, utilizes:

(a) Wind power, biomass resources, landfill methane gas, hydropower, or other similar renewable resources to generate electricity in excess of one (1) megawatt for sale to unrelated entities; or

(b) Solar power to generate electricity in excess of fifty (50) kilowatts for sale to unrelated entities.

For a retrofit of an existing facility, the modification or addition shall primarily result in the production of electricity as described in paragraph (a) or (b) of this subsection;

(25) "Resident" shall have the same meaning as in KRS 141.010;

(26) "Retrofit" means a modification or addition to an existing facility that results in the production of a new and different product or uses a new or different process to produce the same product at the facility. Modifications or additions to a facility that maintain, restore, mend, or repair a facility shall not be considered a retrofit of the facility, and shall not be considered part of the capital investment if undertaken at the same time as a retrofit;

(27) "Synthetic natural gas" has the same meaning as in Section 38 of this Act;

(28) "Tax incentive agreement" means an agreement entered into in accordance with Section 4 of this Act;

(29) "Termination date" means a date established by the tax incentive agreement that is no more than twenty-five (25) years from the activation date; and

(30) "Upgrade" means an investment in an existing facility that results in an increase in the productivity of the facility. Increased productivity shall be measured in relation to the type of products that are required to be produced by that facility to be an eligible project.

SECTION 2. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) This subchapter shall be known as the "Incentives for Energy Independence Act."

(2) The General Assembly hereby finds and declares that it is in the best interest of the Commonwealth to induce the location of innovative energy-related businesses in the Commonwealth in order to advance the public purposes of achieving energy independence, creating new jobs and new investment, and creating new sources of tax revenues that but for the inducements to be offered by the authority to approved companies would not exist.

(3) The purpose of this subchapter is to assist the Commonwealth in moving to the forefront of national efforts to achieve energy independence by reducing the Commonwealth's reliance on imported energy resources. The provisions of this subchapter seek to accomplish this purpose by providing incentives for companies that, in a carbon capture ready manner, construct, retrofit, or upgrade facilities for the purpose of:

(a) Increasing the production and sale of alternative transportation fuels;

(b) Increasing the production and sale of synthetic natural gas, chemicals, chemical feedstocks, or liquid fuels, from coal, biomass resources, or waste coal through a gasification process; or

(c) Generating electricity for sale through alternative methods such as solar power, wind power, biomass resources, landfill methane gas, hydropower, or other similar renewable resources.

(4) To qualify for the incentives provided in this subchapter, the following requirements shall be met:

(a) For an alternative fuel facility or gasification facility that uses coal as the primary feedstock the minimum

capital investment shall be one hundred million dollars ($100,000,000);

(b) For an alternative fuel facility or gasification facility that uses biomass resources as the primary feedstock, the minimum capital investment shall be twenty-five million dollars ($25,000,000); and

(c) For a renewable energy facility, the minimum capital investment shall be one million dollars ($1,000,000).

(5) The incentives under the Incentives for Energy Independence Act are as follows:

(a) An advanced disbursement of post-construction incentives for which an approved company has been approved, the maximum amount of which is based upon the estimated labor component of the total capital investment of the eligible project, and the utilization of Kentucky residents during the construction period as set forth in Section 9 of this Act.

(b) Sales and use tax incentives of up to one hundred percent (100%) of the taxes paid on purchases of tangible personal property made to construct, retrofit, or upgrade an eligible project, as set forth in Sections 7 and 10 of this Act;

(c) Up to eighty percent (80%) of the severance taxes paid on the purchase or severance of coal that is subject to the tax imposed under KRS 143.020 and that is specifically used by an alternative fuel facility or a gasification facility as feedstock for an eligible project, as set forth in Sections 6 and 11 of this Act;

(d) Up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.040 or 141.020, and the limited liability entity tax imposed under KRS 141.0401 on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the eligible project, as set forth in Sections 8 and 12 of this Act; and

(e) Authorization for the approved company to impose a wage assessment of up to four percent (4%) of the gross wages of each employee subject to the Kentucky income tax:

1. Whose job was created as a result of the eligible project;

2. Who is employed by the approved company to work at the facility; and

3. Who is on the payroll of the approved company or an affiliate of the approved company;

as set forth in Section 8 of this Act.

(6) The maximum recovery from all incentives approved under this subchapter for an eligible project shall not exceed fifty percent (50%) of the capital investment in the eligible project.

(7) The incentives available to an approved company shall be negotiated with and approved by the authority.

(8) If a newly constructed facility that qualifies for incentives under this subchapter is later upgraded or retrofitted in a manner that would qualify for incentives under this subchapter, the retrofit or upgrade shall be a separate eligible project, and the minimum investment requirements and carbon capture readiness requirements if required, shall be met for the retrofit or upgrade to qualify for incentives under this subchapter.

(9) The General Assembly finds that the authorities granted by this subchapter are proper governmental and public purposes for which public moneys may be expended.

SECTION 3. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) A company with an eligible project may submit an application for incentives to the authority prior to making any capital investment it will seek to recover.

(2) The application shall include:

(a) The name of the applicant and identification of any affiliates of the applicant;

(b) The type of eligible project;

(c) A description of the location;

(d) A full description of the eligible project scope, including but not limited to:

1. A list and the status of permits, certificates, or approvals required by the federal government, the Commonwealth, or any jurisdiction within the Commonwealth;

2. A description of the carbon capture readiness of the facility if the proposed eligible project is an alternative fuel facility or a gasification facility;

3. Any feasibility studies, including supporting documents;

4. Anticipated sources of eligible project funding;

5. The total anticipated capital investment and the time period over which the capital investment will occur;

6. The proposed feedstock and the estimated volume of feedstock use per year;

7. A description of the proposed products to be produced by the facility, and the process that will be used to produce the products;

8. The planned capacity of the facility after construction, retrofit, or upgrade;

9. The estimated output of the facility upon completion; and

10. A plan for and description of how the company will employ Kentucky residents at the facility, and how the company will ensure, to the extent possible, that workers employed during construction, retrofit, or upgrade of the facility are Kentucky residents. The plan shall include projected numbers;

(e) Identification of the specific incentives sought;

(f) Payment of any applicable application fees required by the authority to offset reasonable costs of reviewing and processing the application; and

(g) Other information as required by the authority.

(3) The authority shall forward the application to the department and the office for review and comment with a date by which comments shall be provided back to the authority. The authority may forward the application to the Center for Applied Energy Research for review and comment as well.

(4) (a) The authority shall review the application and shall verify that:

1. The applicant has met all of the statutory and regulatory requirements established by this subchapter and regulations promulgated thereunder;

2. The applicant has secured or is in the process of securing all necessary permits, certificates, or approvals required by the federal government, the Commonwealth, or any jurisdiction within the Commonwealth;

3. The proposed facility is carbon capture ready, if the proposed facility is an alternative fuel facility or gasification facility;

4. The company has a plan that includes a projected number of Kentucky residents that will be employed during the construction, retrofit, or upgrade of the facility and at the facility upon completion; and

5. Any other requirements established by the authority.

(b) The department shall review the application and shall verify that the company seeking approval and all affiliate companies are in good standing with the department.

(c) The authority may engage the services of outside consultants to assist in the review of the application. Costs associated with the engagement of outside consultants shall be borne by the applicant.

(5) (a) Upon the earlier of:

1. The receipt of comments and recommendations from the office, the department, and the Center for Applied Energy Research, if applicable; or

2. The expiration of the time period established by the authority for receiving comments pursuant to subsection (3) of this section;

the authority may, through the adoption of a resolution, preliminarily approve an applicant for incentives under this subchapter.

(b) Preliminary approval shall be based upon representations of the applicant in the application and attachments as well as other information submitted with the application. The authority shall make a finding that, based upon the applicant's representations, the project appears to be eligible for incentives pursuant to this subchapter.

(c) Prior to final approval:

1. The applicant shall:

a. Provide all supportive data requested by the authority;

b. Secure all required permits or take appropriate steps to do so; and

c. Cooperate with the authority to obtain opinions or recommendations from any outside consultants; and

2. The authority shall, in consultation with the office or any other entity, verify the representations of the applicant.

(d) 1. A preliminarily approved company seeking an advance disbursement employment incentive under Section 9 of this Act shall, prior to receiving final approval from the authority, provide to the authority a labor market analysis prepared by a public postsecondary education institution in the Commonwealth with knowledge of the labor market in the region in which the eligible project will be located.

2. The labor market analysis shall evaluate the construction market in the region where the proposed project is to be located and the estimated labor component of the proposed project. The public postsecondary education institution may consult with the Center for Applied Energy Research or the office in determining the types of laborers required for the construction, retrofit, or upgrade of the eligible facility.

3. The labor market analysis shall include an estimate of the percentage of the estimated labor component

that constitutes wages to be paid to Kentucky residents.

(e) Based upon all of the information available, the authority may, through adoption of a resolution, give its final approval and authorize the execution of a tax incentive agreement to be negotiated pursuant to the provisions of Section 4 of this Act.

(6) The authority may request any materials and make any inquiries concerning an application that the authority deems necessary.

(7) The actual capital investment that may be recovered and percentages of each incentive that an approved company may receive shall be negotiated between the approved company and the authority and shall not exceed the limitations established by Section 2 of this Act.

(8) The General Assembly recognizes that the incentives offered under this subchapter include the possibility of the release of incentives to approved companies prior to construction completion, and that the release of these incentives may present more risk for the Commonwealth. The authority is directed to consider the possible increased risk to the Commonwealth when negotiating tax incentive agreements that include incentives prior to construction completion, and to incorporate repayment or similar remedy provisions in the tax incentive agreement to the extent the authority determines such provisions are necessary to protect the investment made by the Commonwealth if the approved company fails to comply with the terms of the tax incentive agreement.

(9) The authority and the approved company shall enter into a tax incentive agreement in accordance with Section 4 of this Act.

(10) The authority, with input from the office and the department, shall establish additional standards and requirements for the application process through the promulgation of administrative regulations in accordance with KRS Chapter 13A. The standards shall include but not be limited to the creditworthiness of eligible companies and the likelihood of economic success of the economic development project.

SECTION 4. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

The terms and conditions of the tax incentive agreement shall be negotiated between the authority and the approved company. The tax incentive agreement may include one (1) or more of the incentives available under this subchapter or any combination of the incentives as negotiated between the authority and the approved company. The tax incentive agreement shall include but not be limited to the following provisions:

(1) The duties and responsibilities of the parties;

(2) The specific identification of incentives included in the tax incentive agreement, including the permissible percentage recovery under each included incentive;

(3) A detailed description of the eligible project, including an estimate of the capital investment;

(4) If the eligible project is an alternative fuel facility or a gasification facility, a requirement that the facility be carbon capture ready;

(5) The minimum capital investment required and the maximum capital investment that may be recovered;

(6) The time within which the minimum capital investment shall be made;

(7) The activation date and the termination date. The agreement shall commence on the activation date and shall terminate upon the earlier of full receipt of the maximum amount of incentives by the approved company or twenty-five (25) years from the activation date;

(8) A target percentage of the workforce that is Kentucky residents during the construction, retrofit, or upgrade of the facility, and at the facility upon completion of construction;

(9) If the wage assessment permitted by Section 8 of this Act is included, the percentage rate at which the assessment shall be imposed;

(10) If the advanced disbursement employment incentive permitted by Section 9 of this Act is included:

(a) The estimated labor component and the estimated Kentucky resident factor as determined under Section 9 of this Act;

(b) A schedule for the disbursement of funds during the construction period;

(c) A provision that requires a reduction or adjustment in the receipt of post-construction incentives for which the approved company is eligible under the tax incentive agreement until the advance disbursement has been repaid by the approved company;

(d) A provision addressing an alternate payment method if the incentives are not sufficient to repay the advance disbursement; and

(e) A repayment schedule that includes the amount of reduction, the incentives the reduction shall apply to, the amount of interest due, the time period over which the advanced disbursement amount shall be recouped, and the amount that shall be recouped in each year. To the extent possible, the repayment schedule shall include uniform incremental payments;

(11) That the approval of the company is not a guarantee of incentives and that actual receipt of the incentives shall be contingent on the approved company filing the required requests for incentives and meeting the requirements established by the tax incentive agreement and by the provisions of Sections 6, 7, 8, 9, 10, 11, and 12 of this Act that apply to the incentives included;

(12) That the approved company shall provide the authority with documentation of capital expenditures in a manner acceptable to the authority;

(13) Negotiated terms relating to repayment or similar remedies for incentives received prior to the completion of construction if the approved company fails to comply with the terms of the tax incentive agreement;

(14) That, if the authority determines that the approved company has failed to comply with any of its obligations under the tax incentive agreement:

(a) The authority shall have the right to suspend the incentives available to the approved company;

(b) Both the authority and the department shall have the right to pursue any remedy provided under the tax incentive agreement;

(c) The authority may terminate the tax incentive agreement; and

(d) Both the authority and the department may pursue any other remedy at law to which it may be entitled;

(15) A requirement that the authority monitor the tax incentive agreement;

(16) A requirement that the approved company provide to the authority the information necessary to monitor the tax incentive agreement and authorization for the authority to share that information with the department, the office, or any other entity the authority determines is necessary for the purposes of monitoring and enforcing the terms of the tax incentive agreement; and

(17) Any other provisions not inconsistent with this subchapter and determined to be necessary or appropriate by the parties to the tax incentive agreement.

SECTION 5. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) The department may release to an approved company any sales tax incentives under Sections 7 and 10 of this Act after review of the request for incentives required by Section 10 of this Act and determination of the amount due regardless of whether the minimum capital investment has been made as required by the tax incentive agreement.

(2) The authority shall monitor all tax incentive agreements. The authority may seek assistance from the office, the department, the Center for Applied Energy Research, or other entities or individuals in performing its monitoring functions.

(3) The department shall track the amount of revenues released and incentives received for each eligible project under each tax incentive agreement, and shall provide the authority the information upon request.

(4) On or before December 1, 2008, and every December 1 thereafter, the authority and the department shall jointly prepare a report for the Legislative Research Commission. The report shall include a list of all companies with which tax incentive agreements have been entered into and a summary of the terms of each agreement, including the type of facility approved, product to be produced, estimated output upon completion, required minimum capital investment and maximum recovery, incentives approved by type of tax and amount, activation date, and termination date.

SECTION 6. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) Notwithstanding any other provision of KRS 134.580 or Chapter 143, an approved company that purchases or severs coal that:

(a) Is subject to the tax imposed under KRS 143.020; and

(b) Is used by the approved company exclusively as feedstock for an alternative fuel facility or a gasification facility;

may be eligible for an incentive in an amount up to eighty percent (80%) of the taxes paid pursuant to KRS 143.020 on coal purchased or severed by the approved company that is above the base amount.

(2) An approved company that has purchased or severed coal subject to the tax imposed under KRS 143.020 prior to the execution of a tax incentive agreement shall not create an affiliate, subsidiary, corporation, or other related entity that would result in a base amount of zero (0).

(3) The incentive may be requested beginning in the first calendar year after the construction of a new facility or the upgrade or retrofit of an existing facility is completed.

(4) Upon completion of the construction of a new alternative fuel facility or gasification facility or the retrofit or upgrade of an existing facility, an approved company shall notify the authority and the department.

(5) The approved company may obtain the incentive on an annual basis by filing a request for the incentive with the department as provided in Section 11 of this Act.

(6) The department shall notify the authority of the incentives requested and the incentives distributed, upon request of the authority.

SECTION 7. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) Notwithstanding KRS 134.580(3) and 139.770, on or after January 1, 2008, an approved company is eligible for an incentive in an amount up to one hundred percent (100%) of the Kentucky sales and use tax paid, reduced by the vendor compensation provided under KRS 139.570, on the purchase of tangible personal property, including but not limited to materials, machinery, and equipment used to construct, retrofit, or upgrade an eligible project.

(2) The incentive shall not include tangible personal property purchased before the activation date, or purchases of operating supplies, or repair, replacement, or spare parts as defined in KRS 139.170.

(3) Upon the activation date, an approved company may be eligible for the incentive offered under this section. The approved company shall file a request for the incentive payment with the department as provided in Section 10 of this Act.

(4) The incentive provided in this section shall expire upon the completion of the construction, retrofit, or upgrade of the eligible project, or five (5) years from the activation date, whichever is earlier.

SECTION 8. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

An approved company may be eligible for income tax-related incentives as follows:

(1) A credit of up to one hundred percent (100%) of the Kentucky income tax imposed under KRS 141.040 or 141.020, and the limited liability entity tax imposed under KRS 141.0401 that would otherwise be owed by the approved company to the Commonwealth for the approved company's tax year, on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the eligible project, with the ordering of credits as provided in KRS 141.0205.

(a) The credit allowed the approved company shall be applied against both the income tax imposed by KRS 141.020 or 141.040, and the limited liability entity tax imposed by KRS 141.0401, with credit ordering as provided in KRS 141.0205, for the tax year for which the tax return of the approved company is filed.

(b) The approved company shall not be required to pay estimated tax payments as prescribed in KRS 141.042 on the Kentucky taxable income, Kentucky gross receipts, or Kentucky gross profits generated by or arising from the eligible project.

(c) The credit provided by this subsection shall be determined as provided in Section 12 of this Act.

(2) The approved company or, with the authority's consent, an affiliate of the approved company may require that each employee subject to the state income tax imposed by KRS 141.020, as a condition of employment, agree to pay an assessment of up to four percent (4%) of his or her gross wages. The assessment shall be uniform against all employees against whom it is assessed and shall be imposed at a percentage rate that is negotiated as part of the tax incentive agreement.

(a) 1. The assessment may be imposed against each employee:

a. Whose job was created as a result of the eligible project;

b. Who is employed by the approved company to work at the facility; and

c. Who is on the payroll of the approved company, or with the authority's consent, is on the payroll of an affiliate of the approved company.

2. Construction workers, employees of the approved company directly employed in the construction, retrofit, or upgrade of the eligible facility, contract workers, and leased workers shall not be considered employees of the approved company for purposes of the assessment permitted by this subsection.

(b) Each employee so assessed shall be entitled to credits against Kentucky income tax equal to the assessment withheld from wages during the calendar year as provided by Sections 12 and 13 of this Act.

(c) An approved company that elects to impose the assessment as a condition of employment is authorized to deduct the assessment from each paycheck of each employee.

(d) The approved company shall provide to the authority the information necessary to monitor the tax incentive agreement and the authorization for the authority to share the information with the department as necessary for purposes of enforcing the terms of the tax incentive agreement.

(e) Any assessment imposed pursuant to this subsection shall permanently expire upon termination or expiration of the tax incentive agreement.

SECTION 9. A NEW SECTION OF SUBCHAPTER 27 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) An approved company may be eligible for the advance disbursement of a portion of the post-construction period incentives for which it has been approved. The amount of the advance disbursement shall be based on the employment

of Kentucky residents during the construction of the facility, shall be negotiated with the authority as part of the tax incentive agreement, and shall not exceed the limitations established by this section.

(2) The authority shall compute the maximum amount of the advance disbursement employment incentive as follows:

(a) The base amount shall equal the total capital investment specified in the tax incentive agreement multiplied by the labor intensity factor as determined in paragraph (c) of this subsection;

(b) The base amount shall then be multiplied by the Kentucky resident factor as determined in paragraph (d) of this subsection. The resulting amount shall be the maximum advance disbursement employment incentive that the authority may approve;

(c) The labor intensity factor shall be:

1. Twenty-five percent (25%), if the estimated labor component for the eligible project is greater than thirty percent (30%) of the total capital investment;

2. Twenty percent (20%), if the estimated labor component for the eligible project is greater than twenty-five percent (25%) but less than or equal to thirty percent (30%) of the total capital investment; or

3. Fifteen percent (15%), if the estimated labor component for the eligible project is equal to or less than twenty-five percent (25%) of the total capital investment; and

(d) The Kentucky resident factor shall be four percent (4%) multiplied by a fraction, the numerator of which shall be the estimated total gross wages that will be paid to Kentucky residents who are working on the construction, retrofit, or upgrade of the eligible project, and the denominator of which shall be the estimated total gross wages that will be paid to all workers working on the construction, retrofit, or upgrade of the eligible project.

(3) The tax incentive agreement shall include a schedule for the disbursement of the advance disbursement employment incentive during the construction period. In negotiating the disbursement schedule, the authority shall consider the possible increased risk to the Commonwealth associated with the disbursement of funds prior to construction completion.

(4) (a) The approved company shall repay the advance disbursement through a reduction in the post-construction period incentive amounts it would otherwise receive. The amount by which the post-construction period incentive amounts are reduced shall be applied as a credit against the amount owed by the approved company.

(b) The amount of the annual reduction, the incentives the reduction shall apply to, interest due, the time period over which the advanced disbursement amount shall be recouped, and alternate payment methods if incentives are not sufficient to repay the advance disbursement shall be negotiated between the authority and the approved company as part of the tax incentive agreement.

(c) The repayment schedule included in the tax incentive agreement shall require uniform incremental payments, to the extent possible, and shall continue until the entire advance disbursement amount has been repaid by the approved company.

(d) The tax incentive agreement shall include a provision addressing an alternate method for payment if incentives are not sufficient to repay the advance disbursement.

(e) The total post-construction incentive payments for which an approved company is eligible shall be tracked by the department. That portion of the incentive amounts identified in the tax incentive agreement as being devoted to the repayment of the advance disbursement amount shall be credited against the balance due from the approved company and shall not be paid to or retained by the approved company.

(f) The department shall forward the amounts credited to the repayment of the advance disbursement amount to the Cabinet for Economic Development, Department of Financial Incentives for deposit in the Energy Projects Economic Development Bond Pool.

(g) During the period for which any portion of the post-construction incentive payments are being credited toward the advance disbursement amount, the approved company shall, at the direction of the authority or the department, file all required requests for incentives, submit all required remittances, make all required tax payments, and provide to the department and the authority any information that would normally be required for the approved company to receive the incentives.

(5) The authority may, for purposes of administering the provisions of this section, solicit information or consultation from one (1) or more of the following sources:

(a) The office;

(b) The Center for Applied Energy Research;

(c) The Department for Workforce Investment; or

(d) Any public postsecondary education institution within the Commonwealth.

SECTION 10. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Approved company" has the same meaning as in Section 1 of this Act;

(b) "Authority" means the Kentucky Economic Development Finance Authority established under KRS 154.20-010;

(c) "Eligible project" has the same meaning as in Section 1 of this Act;

(d) "Tax incentive agreement" has the same meaning as in Section 1 of this Act.

(2) Notwithstanding any other provision of KRS 134.580 or this chapter, an approved company constructing, retrofitting, or upgrading an eligible project may be eligible for a sales tax incentive of up to one hundred percent (100%) of the Kentucky sales or use tax paid on tangible personal property purchased during the construction, retrofit, or upgrade of the eligible project as provided in Section 7 of this Act. The tangible personal property shall be incorporated into the eligible project to qualify for the sales tax incentive.

(3) The authority shall notify the department upon approval of an eligible project. The notification shall include the name of the eligible project, the name of the approved company, and the date on which the approved company is eligible to receive incentives under this section.

(4) (a) An approved company seeking an incentive under this section shall file a request for incentives within sixty (60) days following the end of the calendar year in which the activation date occurs. The request shall include all documentation relating to the payment of the sales and use tax.

(b) In subsequent years, the approved company shall file a request for incentives within sixty (60) days following the end of each calendar year.

(c) The approved company shall file a final request for incentives within sixty (60) days from the earlier of the completion of the construction, retrofit, or upgrade of the eligible project, or the five (5) year anniversary of the activation date.

(d) The request for incentives shall be in the form prescribed by the department through the promulgation of administrative regulations in accordance with KRS Chapter 13A.

(5) Interest shall not be allowed or paid on any sales tax incentive payment made under the provisions of this section.

(6) The sales tax incentive shall be reduced by the amount of vendor compensation allowed under KRS 139.570.

(7) The approved company seeking the sales tax incentive payment shall execute information-sharing agreements prescribed by the department with contractors, vendors, and other related parties to verify the costs of tangible personal property eligible for the sales tax incentive payment under this section.

(8) The department shall notify the authority of the incentive distributed to each approved company upon request.

SECTION 11. A NEW SECTION OF KRS CHAPTER 143 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Alternative fuel facility" has the same meaning as in Section 1 of this Act;

(b) "Approved company" has the same meaning as in Section 1 of this Act;

(c) "Authority" has the same meaning as in Section 1 of this Act;

(d) "Base amount" has the same meaning as in Section 1 of this Act;

(e) "Capital investment" has the same meaning as in Section 1 of this Act;

(f) "Eligible project" has the same meaning as in Section 1 of this Act;

(g) "Gasification facility" has the same meaning as in Section 1 of this Act; and

(h) "Tax incentive agreement" has the same meaning as in Section 1 of this Act.

(2) Notwithstanding any other provision of KRS 134.580 or this chapter, an approved company that purchases or severs coal that is subject to the tax imposed under KRS 143.020 and that is specifically used by the approved company as feedstock for an alternative fuel facility or gasification facility may be eligible for an incentive under Section 6 of this Act.

(3) A company approved for incentives under Section 6 of this Act shall file a request for the incentive with the department within sixty (60) days of the completion of the construction, retrofit, or upgrade of the facility. In subsequent years, the approved company shall file a request for the incentive within sixty (60) days following the end of each calendar year. The request for incentives shall be in the form prescribed by the department through the promulgation of administrative regulations in accordance with KRS Chapter 13A. The request for incentives shall include but not be limited to the following information:

(a) Verification of the base amount;

(b) Verification of the tons of coal purchased and used or severed and used by the approved company as feedstock for an alternative fuel facility or gasification facility during the calendar year for which the request for incentives is being made;

(c) Verification that the minimum capital investment as set forth in the tax incentive agreement has been made;

(d) Verification of the output of coal-derived alternative transportation fuels, coal-derived synthetic natural gas, coal-derived liquid fuels, or other coal-derived chemicals or chemical feedstocks; and

(e) Any other information that the department may require.

(4) To assist in determining the amount of coal purchased and used or severed and used that is eligible for the incentive, the department shall obtain from the Center for Applied Energy Research a reasonable and typical estimate of the tons of coal needed to produce a given output of coal-derived alternative transportation fuels, coal-derived synthetic natural gas, coal-derived liquid fuels, or other coal-derived chemicals or chemical feedstocks, considering:

(a) The type of coal to be used;

(b) Equipment to be employed;

(c) Size and output of the facility;

(d) Slate of products produced; and

(e) Other characteristics of the alternative fuel facility or gasification facility.

(5) (a) The department and the authority shall review the request for incentives jointly and shall verify that the request for incentives meets all requirements established by statute and administrative regulation.

(b) The department shall verify the tax paid pursuant to KRS 143.020 on the coal purchased or severed by the approved company and used as feedstock for an alternative fuel facility or gasification facility during the calendar year for which the application was submitted, and shall determine the amount of the tax paid that qualifies for distribution to the approved company pursuant to this section.

(c) The incentive amount shall be distributed to the approved company in quarterly installments beginning on July 1 of the year following the calendar year for which the request for incentives required under this section was submitted.

(6) The approved company seeking incentives shall execute information-sharing agreements prescribed by the department with vendors from which it purchased coal to verify the value of coal purchased by the approved company and used as feedstock for an alternative fuel facility or gasification facility and the amount of tax paid under KRS 143.020 on such coal.

(7) The department shall notify the authority of the incentive distributed to each approved company upon request.

SECTION 12. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Approved company" has the same meaning as in Section 1 of this Act;

(b) "Eligible project" has the same meaning as in Section 1 of this Act;

(c) "Kentucky gross receipts" has the same meaning as in KRS 141.0401;

(d) "Kentucky gross profits" has the same meaning as in KRS 141.0401; and

(e) "Tax credit" means the tax credit allowed in Section 8 of this Act.

(2) An approved company shall compute the income tax credit as provided in this section.

(3) An approved company which is an individual sole proprietorship subject to tax under KRS 141.020 or a corporation or pass-through entity treated as a corporation for federal income tax purposes subject to tax under KRS 141.040(1) shall:

(a) 1. Compute the tax due at the applicable tax rates as provided by KRS 141.020 or 141.040 on net income as defined by KRS 141.010(11) or taxable net income as defined by KRS 141.010(14), including income from the eligible project;

2. Compute the limited liability entity tax imposed under KRS 141.0401, including Kentucky gross profits or Kentucky gross receipts from the eligible project; and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(b) 1. Compute the tax due at the applicable tax rates as provided by KRS 141.020 or 141.040 on net income as defined by KRS 141.010(11) or taxable net income as defined by KRS 141.010(14), excluding net income attributable to the eligible project;

2. Using the same method used under subparagraph 2. of paragraph (a) of this subsection, compute the limited liability entity tax imposed under KRS 141.0401, excluding Kentucky gross profits or Kentucky gross receipts from the eligible project; and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(c) The tax credit shall be the amount by which the net tax computed under paragraph (a)3. of this subsection exceeds the tax computed under paragraph (b)3. of this subsection; however, the credit shall not exceed the limits set forth in Section 2 of this Act.

(4) (a) Notwithstanding any other provisions of this chapter, an approved company which is a pass-through entity not

subject to the tax imposed by KRS 141.040 or trust not subject to the tax imposed by KRS 141.040 shall be subject to income tax on the net income attributable to an eligible project at the rates provided in KRS 141.020(2).

(b) The amount of the tax credit shall be determined as provided in subsection (3) of this section. Upon the annual election of the approved company, in lieu of the tax credit, an amount shall be applied as an estimated tax payment equal to the tax computed in this section. Any estimated tax payment made pursuant to this paragraph shall be in satisfaction of the tax liability of the partners, members, shareholders, or beneficiaries of the pass-through entity or trust, and shall be paid on behalf of the partners, members, shareholders, or beneficiaries.

(c) The tax credit or estimated payment shall not exceed the limits set forth in Section 2 of this Act.

(d) If the tax computed in this section exceeds the tax credit, the difference shall be paid by the pass-through entity or trust at the times provided by KRS 141.160 for filing the returns.

(e) Any estimated tax payment made by the pass-through entity or trust in satisfaction of the tax liability of partners, members, shareholders, or beneficiaries shall not be treated as taxable income subject to Kentucky income tax by the partner, member, shareholder, or beneficiary.

(5) Notwithstanding any other provisions of this chapter, the net income subject to tax, tax credit, and estimated tax payment determined under subsection (4) of this section shall be excluded in determining each partner's, member's, shareholder's, or beneficiary's distributive share of net income or credit of a pass-through entity or trust.

(6) (a) Net income attributable to the project for the purposes of subsections (3), (4), and (5) of this section shall be determined under the separate accounting method reflecting only the gross income, deductions, expenses, gains, and losses allowed under KRS Chapter 141 directly attributable to the facility and overhead expenses apportioned to the facility; and

(b) Kentucky gross receipts or Kentucky gross profits attributable to the project for purposes of subsection (3) of this section shall be determined under the separate accounting method reflecting only the Kentucky gross receipts or Kentucky gross profits directly attributable to the facility.

(7) If an approved company can show to the satisfaction of the department that the nature of the operations and activities of the approved company are such that it is not practical to use the separate accounting method to determine the net income, Kentucky gross receipts, or Kentucky gross profits from the facility at which the eligible project is located, the approved company shall determine net income, Kentucky gross receipts, or Kentucky gross profits from the eligible project using an alternative method approved by the department.

(8) The department may promulgate administrative regulations and require the filing of forms designed by the department to reflect the intent of this section and Section 8 of this Act and the allowable income tax credit which an approved company may retain under this section and Section 8 of this Act.

Section 13. KRS 141.310 is amended to read as follows:

(1) Every employer making payment of wages on or after January 1, 1971, shall deduct and withhold upon the wages a tax determined under KRS 141.315 or by the tables authorized by KRS 141.370.

(2) If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which the wages are paid.

(3) If wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of wages by the employer during the calendar year, or the date of commencement of employment with the employer during the year, or January 1 of the year, whichever is the later.

(4) In determining the amount to be deducted and withheld under this section, the wages may, at the election of the employer, be computed to the nearest dollar.

(5) The tables mentioned in subsection (1) of this section shall consider the standard deduction.

(6) The department may permit the use of accounting machines to calculate the proper amount to be deducted from wages when the calculation produces substantially the same result as set forth in the tables authorized by KRS 141.370. Prior approval of the calculation shall be secured from the department at least thirty (30) days before the first payroll period for which it is to be used.

(7) The department may, by administrative regulations, authorize employers:

(a) To estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) To determine the amount to be deducted and withheld upon each payment of wages to the employee during the quarter as if the appropriate average of the wages estimated constituted the actual wages paid; and

(c) To deduct and withhold upon any payment of wages to the employee during the quarter the amount necessary to adjust the amount actually deducted and withheld upon the wages of the employee during the quarter to the amount that would be required to be deducted and withheld during the quarter if the payroll period of the employee was

quarterly.

(8) The department may provide by regulation, under the conditions and to the extent it deems proper, for withholding in addition to that otherwise required under this section and KRS 141.315 in cases in which the employer and the employee agree to the additional withholding. The additional withholding shall for all purposes be considered tax required to be deducted and withheld under this chapter.

(9) Effective January 1, 1992, any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees the job assessment fee provided in KRS 154.24-110 may offset a portion of the fee against the Kentucky income tax required to be withheld from the employee under this section. The amount of the offset shall be four-fifths (4/5) of the amount of the assessment fee withheld from the employee or the Commonwealth's contribution of KRS 154.24-110(3) applies. If the provisions in KRS 154.24-150(3) or (4) apply, the offset, the offset shall be one hundred percent (100%) of the assessment.

(10) Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees an assessment provided in KRS 154.22-070 or KRS 154.28-110 may offset the fee against the Kentucky income tax required to be withheld from the employee under this section.

(11) Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees the job assessment fee provided in KRS 154.26-100 may offset a portion of the fee against the Kentucky income tax required to be withheld from the employee under this section. The amount of the offset shall be four-fifths (4/5) of the amount of the assessment fee withheld from the employee, or if the agreement under KRS 154.26-090(1)(f)2. is consummated, the offset shall be one hundred percent (100%) of the assessment fee.

(12) Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees the job development assessment fee provided in KRS 154.23-055 may offset a portion of the fee against the Kentucky income tax required to be withheld from the employee under this section. The amount of the offset shall be equal to the Commonwealth's contribution as determined by KRS 154.23-055(1) to (3).

(13) Any employer required by this section to withhold Kentucky income tax may be required to post a bond with the department. The bond shall be a corporate surety bond or cash. The amount of the bond shall be determined by the department, but shall not exceed fifty thousand dollars ($50,000).

(14) ***Any employer required by this section to withhold Kentucky income tax who assesses and withholds from employees an assessment provided in Section 8 of this Act may offset the assessment against the Kentucky income tax required to be withheld from the employee under this section.***

(15) The Commonwealth may bring an action for a restraining order or a temporary or permanent injunction to restrain or enjoin the operation of an employer's business until the bond is posted or the tax required to be withheld is paid or both. The action may be brought in the Franklin Circuit Court or in the Circuit Court having jurisdiction of the defendant.

Section 14. KRS 141.350 is amended to read as follows:

The amount deducted and withheld as tax under KRS 141.310 and 141.315 during any calendar year upon the wages of any individual and the amount of credit described in KRS 154.22-070(2), 154.23-055, 154.24-110, 154.24-150(3) and (4), 154.26-100(2),~~[or]~~ 154.28-110, ***or Section 8 of this Act*** shall be allowed as a credit to the recipient of the income against the tax imposed by KRS 141.020, for taxable years beginning in the calendar year. If more than one (1) taxable year begins in the calendar year, the amount shall be allowed as a credit against the tax for the last taxable year so beginning.

Section 15. KRS 42.4582 is amended to read as follows:

(1) There is hereby established in the State Treasury a fund entitled "Local Government Economic Development Fund." The fund may receive state appropriations, gifts, grants, and federal funds and shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallotted or unencumbered balances in the fund shall be invested as provided for in KRS 42.500(9). Income earned from the investments shall be prorated for grants to counties according to the allotment schedule set out in KRS 42.4592.

(2) ***(a)*** Moneys shall be transferred from the general fund ***in***~~[into this fund according to the following schedule:~~

~~(a) Effective July 1, 1992, an amount equal to fifteen percent (15%) of the severance and processing taxes on coal collected annually;~~

~~(b) Effective July 1, 1993, an amount equal to eighteen percent (18%) of the severance and processing taxes on coal collected annually;~~

~~(c) Effective July 1, 1994, an amount equal to twenty-five percent (25%) of the severance and processing taxes on coal collected annually; and~~

~~(d) Effective July 1, 1995, and thereafter,~~] an amount equal to fifty percent (50%) of the severance and processing taxes on coal collected annually, unless otherwise amended by the budget bill.

(b) The transfers shall be made quarterly, based upon the revenue estimates prevailing at the time each quarterly transfer is due, except that the last quarterly transfer shall be made after the close of the fiscal year accounting records, and shall be adjusted to provide the balance of the annual transfer required by this subsection.

(c) The quarterly calculation and transfer of funds pursuant to~~[subsection (2)(d) of]~~ this section shall be made only

after:

1. The quarterly installment of the annual nineteen million dollars ($19,000,000) allocation of coal severance tax revenues has been credited to the benefit reserve fund within the Kentucky Workers' Compensation Funding Commission as required by KRS 342.122; *and*

2. *The quarterly installment of the annual amount from the prior calendar year allowed as an incentive to an approved company under the provisions of Sections 6 and 11 of this Act.*

Section 16. KRS 42.4585 is amended to read as follows:

(1) A portion of each quarterly transfer of moneys provided for in KRS 42.4582 shall be transferred from the local government economic development fund into the local government economic assistance fund~~[according to the following schedule:~~

~~(a) Effective July 1, 1992, an amount equal to eighty percent (80%) of each quarterly transfer;~~

~~(b) Effective July 1, 1993, an amount equal to sixty-six and seven-tenths percent (66.7%) of each quarterly transfer;~~

~~(c) Effective July 1, 1994, an amount equal to forty-eight percent (48%) of each quarterly transfer; and~~

~~(d) Effective July 1, 1995, and thereafter, an amount equal to twenty-four percent (24%) of each quarterly transfer.~~

~~The transfers shall be made quarterly~~].

(2) The amount transferred annually from the local government economic development fund into the local government economic assistance fund under the provisions of subsection (1) of this section shall be not less than an amount equal to fifteen percent (15%) of the severance and processing taxes on coal collected annually.

(3) The quarterly calculation and transfer of funds pursuant to subsections (1) and (2) of this section shall be made only after:

(a) The quarterly installment of the annual nineteen million dollars ($19,000,000) allocation of coal severance tax revenues has been credited to the benefit reserve fund within the Kentucky Workers' Compensation Funding Commission as required by KRS 342.122; *and*

(b) The quarterly installment of the annual amount from the prior calendar year allowed as an incentive to an approved company under the provisions of Sections 6 and 11 of this Act.

SECTION 17. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

(1) "Energy efficiency project" means a project undertaken by a person engaged in manufacturing whereby the person purchases new or replacement machinery or equipment that reduces the consumption of energy or energy-producing fuels in the manufacturing process at a plant facility in this state by at least fifteen percent (15%) measured in megawatts, gallons, or other measurable units of energy, while maintaining or increasing the number of units of production for that same period. For purposes of this section, "machinery or equipment" does not include:

(a) Windows, lighting, or other improvements to buildings; or

(b) Repair, replacement, and spare parts as defined in KRS 139.170.

(2) (a) The consumption reduction and the production rate shall be calculated by comparing the consumption and production rates during a twelve (12) month period immediately after the new or replacement machinery or equipment is placed in service with the consumption and production rates for the twelve (12) month period submitted with the application for preapproval as required in subsection (4) of this section.

(b) If the manufacturer believes that the method described in paragraph (a) of this subsection does not accurately reflect the reduction in energy or energy-producing fuels used in the manufacturing process, the manufacturer may submit additional information to the department for consideration.

(3) Notwithstanding KRS 134.580(3) and 139.770, a person engaged in manufacturing at a plant facility located in this state may apply for a refund equal to the amount of Kentucky sales or use tax paid on the purchase of new or replacement machinery or equipment for an energy efficiency project purchased on or after July 1, 2008, reduced by the amount of vendor compensation allowed under KRS 139.570.

(4) The manufacturer shall file an application for preapproval with the department, on a form provided by the department, prior to purchasing the new or replacement machinery or equipment that includes:

(a) A description of the new or replacement machinery or equipment;

(b) Documentation of the amount of energy or energy-producing fuels consumed in the twelve (12) month period prior to the application for preapproval; and

(c) Any other information the department may request.

(5) The department shall acknowledge receipt of the application for preapproval.

(6) The manufacturer shall file an application for incentives that includes documentation of:

(a) The achievement of the energy-efficiency standards required by subsection (1) of this section within eighteen (18) months from the time the machinery or equipment was placed in service; and

(b) Verification that the Kentucky sales and use tax was paid on the purchase of the new or replacement machinery or equipment.

(7) The burden of proof that the purchase of the machinery or equipment resulted in a decrease in the consumption of energy or energy-producing fuels shall be upon the applicant.

(8) Interest shall not be allowed or paid on any refund made under this section.

Section 18. KRS 141.0405 is amended to read as follows:

(1) There shall be allowed a nonrefundable credit against taxes imposed by the Commonwealth on any taxpayer that:

(a) 1. Is an electric power company *subject to tax under*~~[as defined in]~~ KRS *136.120*~~[Chapter 136]~~;~~[or]~~

2. Is an entity that owns or operates a coal-fired electric generation plant; *or*

3. Is an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act that has not been approved for incentives under Subchapter 27 of KRS Chapter 154;

(b) Remits tax to the Commonwealth under KRS 136.070, 136.120, 141.020, 141.040, or 141.0401; and

(c) Purchases coal subject to the tax imposed under KRS 143.020 that is used:

1. ~~[by the taxpayer, or by a parent company if the taxpayer is a wholly owned subsidiary,]~~For the purpose of generating electricity*; or*

2. As feedstock for an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act;

by the taxpayers, or by a parent company if the taxpayer is a wholly owned subsidiary.

(2) The amount of the allowable credit shall be two dollars ($2) per each incentive ton of coal purchased that is subject to tax under KRS 143.020 and that is used to generate electric power *or used as feedstock for an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act*.

(3) *(a)* Incentive tons are calculated as the tons of coal purchased in the current year for which coal severance tax was paid minus the tons of coal purchased and used during the base year.

(b) For an existing electric power company subject to tax under KRS 136.120 that expands operations to include an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act, the incentive tons for the expanded operation calculated in paragraph (a) of this subsection shall not include any coal subject to the incentives provided under Sections 6 and 11 of this Act.

(4) The base year amount shall be equal to:

(a) For entities existing on July 14, 2000, that meet the eligibility requirements imposed under subsection (1) of this section, the tons of coal purchased and used to generate electricity during the twelve (12) calendar months ending in December 31, 1999, that were subject to the tax imposed by KRS 143.020; or

(b) For entities that come into existence after July 14, 2000, that meet the eligibility requirements imposed under subsection (1) of this section, the base year amount shall be equal to zero (0). However, no company qualifying for the credit as of July 14, 2000, with a base year calculation as provided under subsection (4)(a) of this section may create an affiliate, subsidiary, or corporation that would qualify for a base year of zero (0).

(5) On or before March 15 of each year, a company eligible for the credit provided under subsection (2) of this section shall file a coal incentive credit claim on forms prescribed by the department~~[of Revenue]~~. At the time of filing for the credit, the taxpayer shall submit verification of the tons of coal purchased in the base year and the tons of coal purchased in the year for which the credit is being claimed. The department~~[of Revenue]~~ shall determine the amount of the eligible credit and issue a credit certificate to the taxpayer.

(6) The taxpayer shall be eligible to apply, subject to the conditions imposed under subsection (7) of this section, the amount identified on the credit certificate issued by the department~~[of Revenue]~~ under subsection (5) of this section, against the taxpayer's liability for the taxes, in consecutive order as follows:

(a) The credit shall first be applied against both the taxes imposed by KRS 141.020 or 141.040 and the tax imposed by KRS 141.0401, with the ordering of credits as provided in KRS 141.0205;

(b) The credit shall next be applied to the taxes imposed by KRS 136.070; and

(c) Any remaining credit shall be applied against the taxes imposed by KRS 136.120.

(7) The credit shall meet the entirety of the taxpayer's liability under the first tax listed in consecutive order under subsection (6) of this section before applying the remaining credit to the next tax listed in consecutive order. The taxpayer's total liability under each preceding tax must be fully met before the remaining credit can be applied to the subsequent tax listed in consecutive order.

(8) The taxpayer shall maintain records required in subsection (5) of this section for a period of five (5) years.

(9) Acceptable verification of coal purchased during the base year shall include invoices that indicate the tons of coal purchased from a Kentucky supplier of coal and proof of remittance for that purchase.

(10) The department~~[of Revenue]~~ shall develop the forms required under subsection (5) of this section, specifying the procedure for claiming the credit, and applying the credit against the taxpayer's liability in the order provided under

subsections (6) and (7) of this section.

(11) The Governor's Office of Energy Policy established by Section 37 of this Act shall:

(a) 1. Certify that an alternative fuel facility for which a credit is being requested meets the definition as provided in Section 1 of this Act; or

2. Certify that a gasification facility for which a credit is being requested meets the definition as provided in Section 1 of this Act; and

(b) Notify the department of the certification.

(12) To assist in determining the amount of coal purchased and used that is eligible for the credit, the department shall obtain from the University of Kentucky Center for Applied Energy Research a reasonable and typical estimate of the tons of coal needed to produce a given output of coal-derived alternative transportation fuels, coal-derived synthetic natural gas, coal-derived liquid fuels, or other coal-derived chemicals or chemical feedstocks, considering:

(a) The type of coal to be used;

(b) Equipment to be employed;

(c) Size and output of the facility;

(d) Slate of products produced; and

(e) Other characteristics of the alternative fuel facility or gasification facility.

Section 19. KRS 141.0406 is amended to read as follows:

(1) Except in the case of an alternative fuel facility as defined in Section 1 of this Act, or a gasification facility as defined in Section 1 of this Act, the Coal Incentive Credit authorized under KRS 141.0405 shall be allowed for ten (10) consecutive years beginning on July 15, 2001.

(2) In the case of an alternative fuel facility as defined in Section 1 of this Act or a gasification facility as defined in Section 1 of this Act, the Coal Incentive Credit authorized by Section 18 of this Act shall be allowed for tax periods beginning after December 31, 2008, and ending before January 1, 2021.

(3) Continuation of the credit authorized under this section shall require reauthorization by the General Assembly.

Section 20. KRS 141.422 is amended to read as follows:

As used in KRS 141.422 to 141.425:

(1) "Annual biodiesel *and renewable diesel* tax credit cap" means*:*

(a) For calendar years beginning prior to January 1, 2008, one million five hundred thousand dollars ($1,500,000);

(b) For the calendar year beginning on January 1, 2008, five million dollars ($5,000,000); and

(c) For calendar years beginning on or after January 1, 2009, ten million dollars ($10,000,000);

(2) *"Annual cellulosic ethanol tax credit cap" means five million dollars ($5,000,000), unless the annual cellulosic ethanol tax credit cap is modified pursuant to the provisions of Section 26 of this Act, in which case the cap established by Section 26 of this Act shall be the annual cellulosic ethanol tax credit cap for that year. Any adjustments to the annual cellulosic ethanol tax credit cap made pursuant to Section 26 of this Act shall be made on an annual basis and shall not carry forward to subsequent years;*

(3) "Annual ethanol tax credit cap" means five million dollars ($5,000,000), unless the annual credit cap is modified pursuant to the provisions of Section 26 of this Act, in which case the cap established by Section 26 of this Act shall be the annual ethanol tax credit cap for that year. Any adjustments to the annual ethanol tax credit cap made pursuant to Section 26 of this Act shall be made on an annual basis and shall not carry forward to subsequent years;

(4) "Biodiesel" means a renewable, biodegradeable, mono alkyl ester combustible liquid that is derived from *agriculture crops,* agriculture plant oils*, agriculture residues,* ~~[or]~~ animal fats*, or waste products* that meets *current* American Society for Testing and Materials specification *D6751*~~[D6751-03]~~ for biodiesel fuel (B100) blend stock distillate fuels;";

(5)~~[(3)]~~ "Biodiesel producer" means *an entity*~~[a business]~~ that *manufactures*~~[uses agricultural crops, agricultural residues, or waste products to manufacture]~~ biodiesel at a location in this Commonwealth;~~[and]~~

(6) "Cellulosic ethanol" means ethyl alcohol for use as motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol that is produced from cellulosic biomass materials of any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, including:

(a) Plant wastes from industrial processes such as sawdust and paper pulp;

(b) Energy crops grown specifically for fuel production such as switchgrass; or

(c) Agricultural plant residues such as corn stover, rice hulls, sugarcane, and cereal straws;

(7) "Cellulosic ethanol producer" means an entity that uses cellulosic biomass materials to manufacture cellulosic ethanol at a location in this Commonwealth;

(8)~~[(4)]~~ "Blended biodiesel" means a blend of biodiesel with petroleum diesel so that the percentage of biodiesel in the blend is at least two percent (2%) (B2 or greater)*:*

(9) "Ethanol" means ethyl alcohol produced from corn, soybeans, or wheat for use as a motor fuel that meets the current American Society for Testing and Materials specification D4806 for ethanol;

(10) "Ethanol-based tax credits" means the cellulosic ethanol tax credit provided for in Section 23 of this Act and the ethanol tax credit provided for in Section 24 of this Act;

(11) "Ethanol producer" means an entity that uses corn, soybeans, or wheat to manufacture ethanol at a location in this Commonwealth;

(12) "Renewable diesel" means a renewable, biodegradeable, non-ester combustible liquid that:

(a) Is derived from biomass resources as defined in Section 38 of this Act: and

(b) Meets the current American Society for Testing and Materials Specification D396 for fuel oils intended for use in various types of fuel-oil-burning equipment; D975 for diesel fuel oils suitable for various types of diesel fuel engines; or D1655 for aviation turbine fuels; and

(13) "Renewable diesel producer" means an entity that manufactures renewable diesel at a location in this Commonwealth.

Section 21. KRS 141.423 is amended to read as follows:

(1) (a) A biodiesel producer, *biodiesel blender, or renewable diesel producer*~~[or a blender of blended biodiesel]~~ shall be entitled to a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and KRS 141.0401 in an amount certified by the department under subsection (4) of this section. The credit rate shall be one dollar ($1) per biodiesel *gallon produced by a biodiesel producer, one dollar ($1) per gallon of biodiesel used in the blending process by a biodiesel blender, and one dollar ($1) per gallon of renewable diesel produced by a renewable diesel producer*~~[and blended biodiesel gallons]~~ unless the total amount of approved credit for all biodiesel producers, *biodiesel*~~[and]~~ blenders, *and renewable diesel producers* exceeds the annual biodiesel *and renewable diesel* tax credit cap. If the total amount of approved credit for all biodiesel producers, *biodiesel*~~[and]~~ blenders, *and renewable diesel producers* exceeds the annual biodiesel *and renewable diesel* tax credit cap, the department shall determine the amount of credit each biodiesel producer, *biodiesel* ~~[and]~~ blender, *and renewable diesel producer* receives by multiplying the annual biodiesel *and renewable diesel* tax credit cap by a fraction, the numerator of which is the amount of approved credit for the biodiesel producer, *biodiesel*~~[and]~~ blender, *and renewable diesel producer* and the denominator of which is the total approved credit for all biodiesel producers, *biodiesel*~~[and]~~ blenders, *and renewable diesel producers*.

(b) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205.

(2) Re-blending of blended biodiesel shall not qualify for the credit provided under this section.

(3) The credit shall not be carried forward to a return for any other period.

(4) Each biodiesel producer, *biodiesel*~~[and]~~ blender, *and renewable diesel producer* eligible for the credit provided under subsection (1) of this section shall file a ~~[biodiesel]~~ tax credit claim for biodiesel gallons produced or blended in this state *or for renewable diesel produced in this state* on forms prescribed by the department by the fifteenth day of the first month following the close of the preceding calendar year. The department shall determine the amount of the approved credit based on the amount of biodiesel produced, *biodiesel*~~[or]~~ blended, *or renewable diesel produced* in this state during the preceding calendar year and issue a credit certificate to the biodiesel producer, *biodiesel*~~[or]~~ blender, *or renewable diesel producer* by the fifteenth day of the fourth month following the close of the calendar year.

(5) In the case of a biodiesel producer, *biodiesel*~~[or]~~ blender, *or renewable diesel producer* that has a fiscal year end for purposes of computing the tax imposed by KRS *141.020,* 141.040, *and 141.0401,* the amount of approved credit shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

Section 22. KRS 141.424 is amended to read as follows:

(1) In the case of a biodiesel producer, *biodiesel blender, or renewable diesel producer*~~[or blender]~~ which is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, shareholder, or beneficiary based on the partner's, member's, shareholder's, or beneficiary's distributive share of the income of the pass-through entity. Each biodiesel producer, *biodiesel blender, or renewable diesel producer*~~[or blender]~~ shall notify the department electronically of all partners, members, shareholders, or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in a manner prescribed by administrative regulation may constitute the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

(2) An agricultural cooperative association organized under KRS Chapter 272 may elect to apportion pro rata any amount of the approved credit among the members of the association on the basis of the quantity or value of business done with or for such members for the taxable year. The agricultural cooperative association shall notify the department electronically of all members who may claim any amount of the approved credit if the election is made.

SECTION 23. A NEW SECTION OF KRS 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) (a) For taxable years beginning after December 31, 2007, a cellulosic ethanol producer shall be eligible for a

nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department under subsection (3) of this section. The credit rate shall be one dollar ($1) per cellulosic ethanol gallon produced unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap. If the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap, the department shall determine the amount of credit each cellulosic ethanol producer receives by multiplying the annual cellulosic ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the cellulosic ethanol producer and the denominator of which is the total approved credit for all cellulosic ethanol producers.

(b) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in Section 27 of this Act.

(2) The credit provided under subsection (1) of this section shall not be carried forward to a return for any other period.

(3) Each cellulosic ethanol producer eligible for the credit provided under subsection (1) of this section shall file a cellulosic ethanol tax credit claim for cellulosic ethanol gallons produced in this state on forms prescribed by the department by January 15 following the close of the preceding calendar year. The department shall determine the amount of the approved credit based on the amount of cellulosic ethanol produced in this state during the preceding calendar year and shall issue a credit certificate to the cellulosic ethanol producer by April 15 following the close of the preceding calendar year.

(4) In the case of a cellulosic ethanol producer that has a fiscal year end for purposes of computing the tax imposed by KRS 141.020, 141.040, and 141.0401, the amount of approved credit provided under subsection (1) of this section shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

SECTION 24. A NEW SECTION OF KRS 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) (a) For taxable years beginning after December 31, 2007, an ethanol producer shall be eligible for a nonrefundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401 in an amount certified by the department under subsection (3) of this section. The credit rate shall be one dollar ($1) per ethanol gallon produced unless the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap. If the total amount of approved credit for all ethanol producers exceeds the annual ethanol tax credit cap, the department shall determine the amount of credit each ethanol producer receives by multiplying the annual ethanol tax credit cap by a fraction, the numerator of which is the amount of approved credit for the ethanol producer and the denominator of which is the total approved credit for all ethanol producers.

(b) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in Section 27 of this Act.

(2) The credit provided under subsection (1) of this section shall not be carried forward to a return for any other period.

(3) Each ethanol producer eligible for the credit provided under subsection (1) of this section shall file an ethanol tax credit claim for ethanol gallons produced in this state on forms prescribed by the department by January 15 following the close of the preceding calendar year. The department shall determine the amount of the approved credit based on the amount of ethanol produced in this state during the preceding calendar year and shall issue a credit certificate to the ethanol producer by April 15 following the close of the preceding calendar year.

(4) In the case of an ethanol producer that has a fiscal year end for purposes of computing the tax imposed by KRS 141.020, 141.040, and 141.0401, the amount of approved credit provided under subsection (1) of this section shall be claimed on the return filed for the first fiscal year ending after the close of the preceding calendar year.

SECTION 25. A NEW SECTION OF KRS 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) An ethanol producer or a cellulosic ethanol producer that is a pass-through entity not subject to tax under KRS 141.040 shall apply the amount of approved credit against the tax imposed by KRS 141.0401 at the entity level, and shall also distribute the amount of the approved credit to each partner, member, shareholder, or beneficiary based on the partner's, member's, shareholder's, or beneficiary's distributive share of the income of the pass-through entity.

(2) Each ethanol producer or cellulosic ethanol producer shall notify the department electronically of all partners, members, shareholders, or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in a manner prescribed by administrative regulation may result in the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.

(3) An agricultural cooperative association organized under KRS Chapter 272 may elect to apportion pro rata any amount of the approved credit among the members of the association on the basis of the quantity or value of business done with or for such members for the taxable year. The agricultural cooperative association shall notify the department electronically of all members who may claim any amount of the approved credit if the election is made.

(4) Failure to provide information to the department in a manner prescribed by administrative regulation may result in the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity or agricultural cooperative association.

SECTION 26. A NEW SECTION OF KRS CHAPTER 141.422 TO 141.425 IS CREATED TO READ AS FOLLOWS:

(1) (a) If, in any calendar year, all approved applications for credit filed pursuant to the provisions of Sections 23 and 24 of this Act do not completely use the annual cellulosic ethanol tax credit cap established by Section 23 of this Act or annual ethanol tax credit cap established by Section 24 of this Act, as the case may be; and

(b) The other ethanol-based tax credit program has total approved applications for credit that exceed the annual cap established for that program;

then the unused cap may be transferred to the other ethanol-based tax credit program.

(2) The amount of credit cap transferred from one (1) program to the other shall not exceed the amount necessary for all approved applicants to receive the one dollar ($1) per gallon credit provided for in Section 23 or 24 of this Act, as the case may be.

(3) Any unused cap remaining for any calendar year after both programs have been fully funded shall not be available to be used in any other year.

Section 27. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of the credits shall be determined as follows:

(1) The nonrefundable business incentive credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) 1. For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(a);

2. For taxable years beginning after December 31, 2006, the limited liability entity tax credit permitted by KRS 141.0401;

(b) The economic development credits computed under KRS 141.347, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415,~~[and]~~ 154.12-2088, ***and Section 8 of this Act***;

(c) The certified rehabilitation credit permitted by KRS 171.397;

(d) The health insurance credit permitted by KRS 141.062;

(e) The tax paid to other states credit permitted by KRS 141.070;

(f) The credit for hiring the unemployed permitted by KRS 141.065;

(g) The recycling or composting equipment credit permitted by KRS 141.390;

(h) The tax credit for cash contributions in investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;

(i) The coal incentive credit permitted under KRS 141.0405;

(j) The research facilities credit permitted under KRS 141.395;

(k) The employer GED incentive credit permitted under KRS 151B.127;

(l) The voluntary environmental remediation credit permitted by KRS 141.418;

(m) The biodiesel ***and renewable diesel*** credit permitted by KRS 141.423;

(n) The environmental stewardship credit permitted by KRS 154.48-025;~~[and]~~

(o) The clean coal incentive credit permitted by KRS 141.428;

(p) The ethanol credit permitted by Section 24 of this Act; and

(q) The cellulosic ethanol credit permitted by Section 23 of this Act.

(2) After the application of the nonrefundable credits in subsection (1) of this section, the nonrefundable personal tax credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) The individual credits permitted by KRS 141.020(3);

(b) The credit permitted by KRS 141.066;

(c) The tuition credit permitted by KRS 141.069; and

(d) The household and dependent care credit permitted by KRS 141.067.

(3) After the application of the nonrefundable credits provided for in subsection (2) of this section, the refundable credits against the tax imposed by KRS 141.020 shall be taken in the following order:

(a) The individual withholding tax credit permitted by KRS 141.350;

(b) The individual estimated tax payment credit permitted by KRS 141.305; and

(c) For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(c).

(4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax imposed by KRS 141.040.

(5) The following nonrefundable credits shall be applied against the sum of the tax imposed by KRS 141.040 after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by KRS 141.0401 in the following order:

(a) The economic development credits computed under KRS 141.347, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415,~~[and]~~ 154.12-2088, ***and Section 8 of this Act***;

(b) The certified rehabilitation credit permitted by KRS 171.397;

(c) The health insurance credit permitted by KRS 141.062;

(d) The unemployment credit permitted by KRS 141.065;

(e) The recycling or composting equipment credit permitted by KRS 141.390;

(f) The coal conversion credit permitted by KRS 141.041;

(g) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods ending prior to January 1, 2008;

(h) The tax credit for cash contributions to investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;

(i) The coal incentive credit permitted under KRS 141.0405;

(j) The research facilities credit permitted under KRS 141.395;

(k) The employer GED incentive credit permitted under KRS 151B.127;

(l) The voluntary environmental remediation credit permitted by KRS 141.418;

(m) The biodiesel ***and renewable diesel*** credit permitted by KRS 141.423;

(n) The environmental stewardship credit permitted by KRS 154.48-025;~~[and]~~

(o) The clean coal incentive credit permitted by KRS 141.428;

(p) The ethanol credit permitted by Section 24 of this Act; and

(q) The cellulosic ethanol credit permitted by Section 23 of this Act.

(6) After the application of the nonrefundable credits in subsection (5) of this section, the refundable corporation estimated tax payment credit permitted by KRS 141.044 shall be allowed as a credit against the total of any remaining taxes imposed by KRS 141.040 and the tax imposed by KRS 141.0401.

Section 28. KRS 141.428 is amended to read as follows:

(1) As used in this section:

(a) "Clean coal facility" means an electric generation facility beginning commercial operation on or after January 1, 2005, at a cost greater than one hundred fifty million dollars ($150,000,000) that is located in the Commonwealth of Kentucky and is certified by the Environmental and Public Protection Cabinet as reducing emissions of pollutants released during generation of electricity through the use of clean coal equipment and technologies;

(b) "Clean coal equipment" means equipment purchased and installed for commercial use in a clean coal facility to aid in reducing the level of pollutants released during the generation of electricity from eligible coal;

(c) "Clean coal technologies" means technologies incorporated for use within a clean coal facility to lower emissions of pollutants released during the generation of electricity from eligible coal;

(d) "Eligible coal" means coal that is subject to the tax imposed under KRS 143.020;

(e) "Ton" means a unit of weight equivalent to two thousand (2,000) pounds; and

(f) "Taxpayer" means taxpayer as defined in KRS 131.010(4).

(2) Effective for tax years ending on or after December 31, 2006, a nonrefundable, nontransferable credit shall be allowed for:

(a) Any electric power company ***subject to tax under***~~[as defined in]~~ KRS ***136.120***~~[Chapter 136]~~ and certified as a clean coal facility or any taxpayer that owns or operates a clean coal facility and purchases eligible coal that is used by the taxpayer in a certified clean coal facility; or

(b) A parent company of an entity identified in paragraph (a) of this subsection if the subsidiary is wholly owned.

(3) (a) The credit may be taken against the taxes imposed by:

1. KRS 136.070;

2. KRS 136.120; or

3. KRS 141.020 or 141.040, and 141.0401.

(b) The credit shall not be carried forward and must be used on the tax return filed for the period during which the eligible coal was purchased. The Environmental and Public Protection Cabinet must approve and certify use of the clean coal equipment and technologies within a clean coal facility before any taxpayer may claim the credit.

(c) The credit allowed under paragraph (a) of this subsection shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401, with the ordering of credits as provided in KRS 141.0205.

(4) The amount of the allowable credit shall be two dollars ($2) per ton of eligible coal purchased that is used to generate electric power at a certified clean coal facility, except that no credit shall be allowed if the eligible coal has been used to generate a credit under KRS 141.0405 for the taxpayer, a parent, or a subsidiary.

(5) Each taxpayer eligible for the credit provided under subsection (2) of this section shall file a clean coal incentive credit claim on forms prescribed by the Department of Revenue. At the time of filing for the credit, the taxpayer shall submit an electronic report verifying the tons of coal subject to the tax imposed by KRS 143.020 purchased for each year in which the credit is claimed. The Department of Revenue shall determine the amount of the approved credit and issue a credit certificate to the taxpayer.

(6) Corporations and pass-through entities subject to the tax imposed under KRS 141.040 or 141.0401 shall be eligible to apply, subject to the conditions imposed under this section, the approved credit against its liability for the taxes, in consecutive order as follows:

(a) The credit shall first be applied against both the tax imposed by KRS 141.0401 and the tax imposed by KRS 141.020 or 141.040, with the ordering of credits as provided in KRS 141.0205;

(b) The credit shall then be applied to the tax imposed by KRS 136.120.

The credit shall meet the entirety of the taxpayer's liability under the first tax listed in consecutive order before applying any remaining credit to the next tax listed. The taxpayer's total liability under each preceding tax must be fully met before the remaining credit can be applied to the subsequent tax listed in consecutive order.

(7) If the taxpayer is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, or shareholder based on the partner's, member's, or shareholder's distributive share of the income of the pass-through entity. The credit shall be claimed in the same manner as specified in subsection (6) of this section. Each pass-through entity shall notify the Department of Revenue electronically of all partners, members, or shareholders who may claim any amount of the approved credit. Failure to provide information to the Department of Revenue in a manner prescribed by regulation may constitute the forfeiture of available credits to all partners, members, or shareholders associated with the pass-through entity.

(8) The taxpayer shall maintain all records associated with the credit for a period of five (5) years. Acceptable verification of eligible coal purchased shall include invoices that indicate the tons of eligible coal purchased from a Kentucky supplier of coal and proof of remittance for that purchase.

(9) The Department of Revenue shall develop the forms required under this section, specifying the procedure for claiming the credit, and applying the credit against the taxpayer's liability in the order provided under subsections (6) and (7) of this section.

(10) The ***Governor's Office of Energy Policy*** ~~[Commerce Cabinet]~~, Environmental and Public Protection Cabinet, and the Department of Revenue shall promulgate administrative regulations necessary to administer this section.

(11) This section shall be known as the Kentucky Clean Coal Incentive Act.

Section 29. KRS 56.770 is amended to read as follows:

As used in KRS 56.770 to 56.784, unless the context requires otherwise:

(1) "Aggregate simple payback period" means the simple payback period of a set of energy efficiency measures taken together for a building;

(2) "Building" means all contiguous land, structures, appurtenances, and improvements that use energy;

(3) "Energy audit" means examination of a building's energy-using systems, energy consumption and costs, occupancy patterns, and operation and maintenance procedures;

(4) "Energy efficiency measure" means any construction, improvement, repair, alteration, or betterment of a building that is intended to reduce energy costs; or any equipment, fixture, or furnishing to be added to or used in a building that will be a cost-effective energy-related project that is intended to reduce energy costs;

(5) "Guaranteed energy savings performance contract" means an agreement for the provision of energy services or equipment, including energy efficiency measures, energy conservation measures and alternate energy technologies for state government buildings, in which a person agrees to design, construct, install, maintain, operate, or manage energy systems or equipment to improve energy efficiency of, or produce energy in connection with, a state government building. Payments for a guaranteed energy savings performance contract shall be made from measured and verified savings generated from implementation of the energy efficiency measures financed by the contract. The term of a guaranteed energy savings performance contract shall not exceed the life of the energy savings generated from implementation of the energy efficiency measures financed by the contract. If the measured and verified savings are not sufficient to pay the financial obligations under the contract, the contractor is liable for the contract payments;

(6) "Engineering analysis" means a detailed cost-benefit analysis of energy efficiency investments including a review of potential cost savings through operation and maintenance changes;

(7) "Life-cycle cost analysis" means a method for estimating the total cost of an energy-using component or building over its useful life, including cost factors such as purchase price or construction, renovation, or leasing costs, energy use,

maintenance, interest, and inflation;

(8) "Low cost/no cost energy conservation measures" means those energy saving practices and energy efficiency measures, usually involving operation and maintenance practices, that can be accomplished by existing personnel within existing operating budgets;

(9) "Simple payback period" means the number of years it takes to pay back, from estimated savings, the initial cost of an energy efficiency measure with the simple payback period equal to the initial cost divided by the estimated annual savings;

(10) "Savings" means the reduction in expenditures, excluding any state government and post-secondary education personnel expenditures, that are measured and verified, including but not limited to energy usage, operating costs, and capital cost avoidance that occur as a result of the implementation of energy efficiency measures;

(11) "Capital cost avoidance" means savings generated when expenditures of appropriated capital construction or appropriated capital outlay funds are avoided because the budgeted capital improvements or items of equipment are contained within the energy efficiency measures provided by a guaranteed energy savings performance contract;~~[and]~~

(12) "Operating costs" means expenditures associated with operating and maintaining a properly functioning building and its systems including but not limited to the heating, ventilation, cooling, lighting, plumbing, water heating, electrical, and laundry systems and their controls;

(13) "ENERGY STAR" means the voluntary program administered by the United States Environmental Protection Agency and the United States Department of Energy that is designed to protect the environment through the promotion of energy-efficient products and practices;

(14) "Green Globes rating system" means the on-line environmental assessment tool developed by the Green Building Initiative as of December, 2004, that allows designers, property owners, and managers to evaluate and rate buildings against best sustainable building design practices and integrate principles of sustainable architecture at every stage of project delivery in order to design and construct buildings that will be energy-efficient and resource-efficient, achieve operational savings, and provide healthier environments in which to live and work; and

(15) "LEED" means the building rating systems developed on or after January 1, 2005, by the United States Green Building Council that allow designers, property owners, and managers to evaluate and rate buildings against best sustainable building design and practices and to integrate principles of sustainable architecture at every stage of project delivery in order to design and construct buildings that will be energy-efficient and resource-efficient using a whole-building approach in five (5) key areas of human and environmental health:

(a) Sustainable site development;

(b) Water savings;

(c) Energy efficiency;

(d) Material selection; and

(e) Environmental quality.

Section 30. KRS 56.776 is amended to read as follows:

The Finance and Administration Cabinet, with the assistance of the ***Governor's*** Office of Energy Policy~~[within the Commerce Cabinet]~~, shall institute an energy audit training program to identify energy saving techniques for state-owned building maintenance staff. Additional programs shall be developed to educate state employees and other building occupants on energy awareness and practices to reduce energy use in state-owned buildings. Local government employees may be included in training and educational programs.

SECTION 31. A NEW SECTION OF KRS 56.770 TO 56.784 IS CREATED TO READ AS FOLLOWS:

To improve energy efficiency throughout state government, the Finance and Administration Cabinet is encouraged to:

(1) Utilize the LEED rating system or the Green Globes rating system to promote the design, construction, and operation of high-performance energy-efficient buildings; and

(2) Incorporate ENERGY STAR-qualified products in state agency procurements.

Section 32. KRS 56.784 is amended to read as follows:

(1) ***Each agency responsible for managing state-owned property shall review the utility usage of the property and shall cooperate with the Finance and Administration Cabinet to determine which properties are good candidates for guaranteed energy savings performance contracts. The responsible agency is encouraged to implement guaranteed energy savings performance contracts where appropriate.***

(2) The Finance and Administration Cabinet may implement the provisions of KRS 56.770 to 56.784 through the promulgation of administrative regulations pursuant to KRS Chapter 13A.

(3)~~[(2)]~~ ~~[By July 15, 2002,]~~The secretary of the Finance and Administration Cabinet shall promulgate administrative regulations in accordance with the provisions of KRS Chapter 13A establishing a process for procurement of energy savings performance contracts, including required contract language. The following entities shall adhere to these regulations when procuring services under a guaranteed energy savings performance contract:

(a) Any governing body of a postsecondary institution that manages its capital construction program under KRS

164A.580; or

(b) Any public corporation as defined by KRS 45.750(2)(c) or as created under the Kentucky Revised Statutes as a governmental agency and instrumentality of the Commonwealth that manages its capital construction program.

(4)~~[(3)]~~ All state agencies, including those identified in subsection *(3)*~~[(2)]~~ of this section, shall submit proposed guaranteed energy savings performance contracts to the Office of Financial Management within the Office of the Controller for review and approval prior to contract execution.

(5)~~[(4)]~~ The secretary shall report all authorized guaranteed energy savings performance contracts to the Capital Projects and Bond Oversight Committee for its review.

Section 33. KRS 56.782 is amended to read as follows:

The Finance and Administration Cabinet shall report on or before October 15 in odd-numbered years to the Legislative Research Commission on progress made to maximize the use of energy-efficiency measures in state government. The Legislative Research Commission shall transmit the report to the appropriate interim joint committees and to the General Assembly when it convenes. The report shall include, but not be limited to:

(1) A summary of initiatives undertaken by the cabinet during the reporting period to promote adoption of low cost/no cost energy-efficiency measures, including employee training efforts;

(2) A summary of energy-efficiency measures installed and energy improvements made during the reporting period;

(3) Energy consumption and expenditure data for facilities owned or leased by state government and any documented savings made as a result of energy-efficiency measures and improvements;

(4) Status report on efforts to assure buildings newly constructed, renovated, or leased are energy-efficient;

(5) Any efforts made during the reporting period to promote acquisition of energy-efficient products pursuant to KRS 45A.045(12);~~[and]~~

(6) Any recommendations for future funding of energy improvements or other measures needed to assure energy efficiency in state government*; and*

(7) Any improvements in energy efficiency planned or realized through the use of the LEED rating system, the Green Globes rating system, ENERGY STAR-qualified products, and guaranteed energy savings performance contracts.

SECTION 34. A NEW SECTION OF KRS CHAPTER 45A IS CREATED TO READ AS FOLLOWS:

(1) The Finance and Administration Cabinet shall develop a strategy to:

(a) Replace at least fifty percent (50%) of the state-owned passenger vehicles and light-duty trucks managed by the Division of Fleet Management as of January 1, 2008, with:

1. New qualified hybrid motor vehicles as defined in 26 U.S.C. sec. 30B;

2. New advanced lean burn technology motor vehicles as defined in 26 U.S.C. sec. 30B;

3. New qualified fuel cell motor vehicles as defined in 26 U.S.C. sec. 30B; or

4. New qualified alternative fuel motor vehicles as defined in 26 U.S.C. sec. 30B; and

(b) Increase the use of ethanol, biodiesel, and other alternative transportation fuels as defined in Section 38 of this Act to reduce state government's dependence on petroleum-based transportation fuels, where possible.

(2) On or before December 1, 2007, and every December 1 thereafter, the Finance and Administration Cabinet shall report to the Legislative Research Commission:

(a) The strategy for transitioning to motor vehicles outlined in subsection (1) of this section, including a life-cycle cost comparison, and a projected timetable to replace motor vehicles in the state motor pool as provided in subsection (1) of this section; and

(b) The strategy for increased use of ethanol, cellulosic ethanol, biodiesel, and alternative transportation fuels, including the targeted amount and the dates by which these targets shall be achieved.

Section 35. KRS 12.020 is amended to read as follows:

Departments, program cabinets and their departments, and the respective major administrative bodies that they include are enumerated in this section. It is not intended that this enumeration of administrative bodies be all-inclusive. Every authority, board, bureau, interstate compact, commission, committee, conference, council, office, or any other form of organization shall be included in or attached to the department or program cabinet in which they are included or to which they are attached by statute or statutorily authorized executive order; except in the case of the Personnel Board and where the attached department or administrative body is headed by a constitutionally elected officer, the attachment shall be solely for the purpose of dissemination of information and coordination of activities and shall not include any authority over the functions, personnel, funds, equipment, facilities, or records of the department or administrative body.

I. Cabinet for General Government - Departments headed by elected officers:

1. The Governor.

2. Lieutenant Governor.

3. Department of State.
   (a) Secretary of State.
   (b) Board of Elections.
   (c) Registry of Election Finance.
4. Department of Law.
   (a) Attorney General.
5. Department of the Treasury.
   (a) Treasurer.
6. Department of Agriculture.
   (a) Commissioner of Agriculture.
   (b) Kentucky Council on Agriculture.
7. Auditor of Public Accounts.

II. Program cabinets headed by appointed officers:

1. Justice and Public Safety Cabinet:
   (a) Department of Kentucky State Police.
   (b) Department of Criminal Justice Training.
   (c) Department of Corrections.
   (d) Department of Juvenile Justice.
   (e) Office of the Secretary.
   (f) Office of Drug Control Policy.
   (g) Office of Legal Services.
   (h) Office of the Kentucky State Medical Examiner.
   (i) Parole Board.
   (j) Kentucky State Corrections Commission.
   (k) Office of Legislative and Intergovernmental Services.
   (l) Office of Management and Administrative Services.
   (m) Office of Public Safety Training.
   (n) Office of Investigations.
   (o) Department of Kentucky Vehicle Enforcement.
   (p) Department for Public Advocacy.
2. Education Cabinet:
   (a) Office of the Secretary.
   (b) Office of Legal Services.
      1. Client Assistance Program.
   (c) Office of Communication.
   (d) Office of Legislative and Intergovernmental Affairs.
   (e) Office of Budget and Administration.
      1. Division of Human Resources.
      2. Division of Administrative Services.
      3. Division of Technology Services.
   (f) Board of Directors for the Center for School Safety.
   (g) Council on Postsecondary Education.
      1. Foundation for Adult Education.
   (h) Department of Education.
      1. Kentucky Board of Education.
   (i) Department for Libraries and Archives.
   (j) Department of Workforce Investment.
      1. Office for the Blind.

2. Office of Vocational Rehabilitation.
3. Office of Career and Technical Education.
4. Office of Employment and Training.

(k) Foundation for Workforce Development.
(l) Kentucky Office for the Blind State Rehabilitation Council.
(m) Kentucky Technical Education Personnel Board.
(n) Kentucky Workforce Investment Board.
(o) Statewide Council for Vocational Rehabilitation.
(p) Statewide Independent Living Council.
(q) Unemployment Insurance Commission.
(r) Education Professional Standards Board.
1. Division of Educator Preparation.
2. Division of Certification.
3. Division of Professional Learning and Assessment.
4. Division of Legal Services.

(s) Kentucky Commission on the Deaf and Hard of Hearing.
(t) Kentucky Educational Television.
(u) Kentucky Environmental Education Council.

3. Environmental and Public Protection Cabinet:
(a) Office of the Secretary.
1. Office of Legislative and Intergovernmental Affairs.
2. Office of Communications and Public Outreach.
3. Office of Regulatory Affairs.
4. Office of Legal Services.
5. Office of Administrative and Information Services.
6. Office of Administrative Hearings.
7. Office of Inspector General.
8. Mine Safety Review Commission.
9. Workers' Compensation Board.
10. Kentucky State Nature Preserves Commission.
11. Kentucky Environmental Quality Commission.
12. Kentucky Occupational Safety and Health Review Commission.

(b) Department for Environmental Protection.
1. Office of the Commissioner.
2. Division of Air Quality.
3. Division of Water.
4. Division of Environmental Services.
5. Division of Waste Management.
6. Division of Enforcement.
7. Division of Compliance Assistance.

(c) Department for Natural Resources.
1. Office of the Commissioner.
2. Office of Technical and Administrative Support.
3. Division of Mine Permits.
4. Division of Mine Reclamation and Enforcement.
5. Division of Abandoned Mine Lands.
6. Division of Oil and Gas Conservation.
7. Office of Mine Safety and Licensing.

8. Division of Forestry.
9. Division of Conservation.

(d) Department of Public Protection.
1. Office of the Commissioner.
2. Division of Administrative Services.
3. Crime Victims Compensation Board.
4. Board of Claims.
5. Board of Tax Appeals.
6. Kentucky Boxing and Wrestling Authority.
7. Kentucky Horse Racing Authority.
8. Kentucky Public Service Commission.
9. Office of Alcoholic Beverage Control.
10. Office of Charitable Gaming.
11. Office of Financial Institutions.
12. Office of Housing, Buildings and Construction.
13. Office of Insurance.

(e) Department of Labor.
1. Office of the Commissioner.
2. Office of Occupational Safety and Health.
3. Office of Labor Management Relations and Mediation.
4. Office of Workplace Standards.
5. Office of Workers' Claims.
6. Workers' Compensation Funding Commission.
7. Kentucky Labor Management Advisory Council.
8. Occupational Safety and Health Standards Board.
9. Prevailing Wage Review Board.
10. Kentucky Employees Insurance Association.
11. Apprenticeship and Training Council.
12. State Labor Relations Board.
13. Workers' Compensation Advisory Council.
14. Workers' Compensation Nominating Commission.
15. Employers' Mutual Insurance Authority.
16. Division of Administrative Services.

4. Transportation Cabinet:

(a) Department of Highways.
1. Office of Program Planning and Management.
2. Office of Project Development.
3. Office of Construction and Operations.
4. Office of Intermodal Programs.
5. Highway District Offices One through Twelve.

(b) Department of Vehicle Regulation.

(c) Department of Administrative Services.

(d) Department of Aviation.

(e) Department of Intergovernmental Programs.
1. Office of Transportation Enhancement Programs.
2. Office of Rural and Secondary Roads.

(f) Office of the Secretary.
1. Office of Legislative and Intergovernmental Affairs.

2. Office of Public Affairs.
3. Office of Transportation Delivery.
4. Office for Business and Occupational Development.
5. Office of Budget and Fiscal Management.
6. Office of Legal Services.
7. Office of Inspector General.
8. Office of the Transportation Operations Center.
9. Office of Personnel Management.

5. Cabinet for Economic Development:
   (a) Office of Administration and Support.
   (b) Department for New Business Development.
   (c) Department of Financial Incentives.
   (d) Department for Existing Business Development.
   (e) Tobacco Research Board.
   (f) Kentucky Economic Development Finance Authority.
   (g) Office of Research and Information Technology.
   (h) Department of Commercialization and Innovation.
   (i) Office of Legal Services.
   (j) Commission on Small Business Advocacy.
6. Cabinet for Health and Family Services:
   (a) Department for Public Health.
   (b) Department for Medicaid Services.
   (c) Department for Mental Health and Mental Retardation Services.
   (d) Kentucky Commission for Children with Special Health Care Needs.
   (e) Office of Health Policy.
   (f) Office of the Secretary.
   (g) Office of Legal Services.
   (h) Office of Inspector General.
   (i) Office of Legislative and Public Affairs.
   (j) Department for Community Based Services.
   (k) Department for Disability Determination Services.
   (l) Office of the Ombudsman.
   (m) Department for Human Support Services.
   (n) Kentucky Commission on Community Volunteerism and Service.
   (o) Office of Fiscal Services.
   (p) Office of Human Resource Management.
   (q) Office of Technology.
   (r) Office of Contract Oversight.
   (s) Governor's Office of Wellness and Physical Activity.
   (t) Department for Aging and Independent Living.
7. Finance and Administration Cabinet:
   (a) Office of General Counsel.
   (b) Office of the Controller.
   (c) Office of Administrative Services.
   (d) Office of Public Information.
   (e) Department for Facilities and Support Services.
   (f) Department of Revenue.
   (g) Commonwealth Office of Technology.

(h) State Property and Buildings Commission.
(i) Kentucky Savings Bond Authority.
(j) Office of Equal Employment Opportunity and Contract Compliance.
(k) Kentucky Employees Retirement Systems.
(l) Commonwealth Credit Union.
(m) State Investment Commission.
(n) Kentucky Housing Corporation.
(o) Kentucky Local Correctional Facilities Construction Authority.
(p) Kentucky Turnpike Authority.
(q) Historic Properties Advisory Commission.
(r) Kentucky Tobacco Settlement Trust Corporation.
(s) State Board for Proprietary Education.
(t) Kentucky Higher Education Assistance Authority.
(u) Kentucky River Authority.
(v) Kentucky Teachers' Retirement System Board of Trustees.

8. Commerce Cabinet:
(a) Department of Tourism.
(1) Division of Tourism Services.
(2) Division of Marketing and Advertising.
(3) Division of Parks Marketing.
(b) Kentucky Department of Parks.
(1) Division of Information Technology.
(2) Division of Personnel and Payroll.
(3) Division of Financial Operations.
(4) Division of Facilities Management.
(5) Division of Facilities Maintenance.
(6) Division of Customer Services.
(7) Division of Recreation.
(8) Division of Golf Courses.
(9) Division of Food Services.
(10) Division of Rangers.
(11) Division of Eastern Parks.
(12) Division of Southern Parks.
(13) Division of Western Parks.
(c) Department of Fish and Wildlife Resources.
(1) Division of Law Enforcement.
(2) Division of Administrative Services.
(3) Division of Engineering.
(4) Division of Fisheries.
(5) Division of Information and Education.
(6) Division of Wildlife.
(7) Division of Public Affairs.
(d) Kentucky Horse Park.
(1) Division of Support Services.
(2) Division of Buildings and Grounds.
(3) Division of Operational Services.
(e) Kentucky State Fair Board.
(1) Division of Expositions and Admission.

(2) Division of Kentucky Fair and Exposition Center Operations.
(3) Division of Commonwealth Convention Center.
(4) Division of Public Relations and Media.
(5) Division of Administrative Services.
(6) Division of Personnel Management and Staff Development.
(7) Division of Sales.
(8) Division of Security and Traffic Control.

(f) Office of the Secretary.
(g) Office of Finance and Administration.
(h) Office of Legal Affairs.
(i) Office of Intergovernmental Affairs.
(j) Office of Human Resources.
(k) Office of Public Affairs and Constituent Services.
(l) Office of Information Technology.
(m) Office of the Kentucky Sports Authority.
(1) Kentucky Sports Authority Board.
(n) Office of Creative Services.
(o) Office of Capital Plaza Operations.
(p)~~[Office of Energy Policy.~~
~~(1) Energy Policy Advisory Council.~~
~~(q)]~~ Office of Arts and Cultural Heritage.
(q)~~[(r)]~~ Kentucky African-American Heritage Commission.
(r)~~[(s)]~~ Kentucky Foundation for the Arts.
(s)~~[(t)]~~ Kentucky Humanities Council.
(t)~~[(u)]~~ Kentucky Heritage Council.
(u)~~[(v)]~~ Kentucky Arts Council.
(v)~~[(w)]~~ Kentucky Historical Society.
(1) Division of Museums.
(2) Division of Oral History and Educational Outreach.
(3) Division of Research and Publications.
(4) Division of Administration.
(w)~~[(x)]~~ Kentucky Center for the Arts.
(1) Division of Governor's School for the Arts.
(x)~~[(y)]~~ Kentucky Artisans Center at Berea.
(y)~~[(z)]~~ Martin Luther King Commission.
(z)~~[(aa)]~~ Northern Kentucky Convention Center.
(aa)~~[(ab)]~~ Eastern Kentucky Exposition Center.

9. Personnel Cabinet:
(a) Office of the Secretary.
(b) Department for Personnel Administration.
(c) Office for Employee Relations.
(d) Kentucky Public Employees Deferred Compensation Authority.
(e) Office of Administrative Services.
(f) Office of Legal Services.
(g) Office of Government Training.
(h) Department for Employee Insurance.

III. Other departments headed by appointed officers:
1. Department of Military Affairs.

2. Governor's Office for Local Development.
3. Kentucky Commission on Human Rights.
4. Kentucky Commission on Women.
5. Department of Veterans' Affairs.
6. Kentucky Commission on Military Affairs.
7. Office of Minority Empowerment.
8. Governor's Council on Wellness and Physical Activity.

Section 36. KRS 12.023 is amended to read as follows:

The following organizational units and administrative bodies shall be attached to the Office of the Governor:

(1) Department of Military Affairs;
(2) Governor's Office for Local Development;
(3) Kentucky Commission on Human Rights;
(4) Kentucky Commission on Women;
(5) Kentucky Commission on Military Affairs;
(6) Governor's Scholars Program;
(7) Agricultural Development Board;
(8) Kentucky Agricultural Finance Corporation;
(9) Office of Minority Empowerment;
(10) Office of Homeland Security;~~[and]~~
(11) Governor's Council on Wellness and Physical Activity***; and***
(12) The Governor's Office of Energy Policy.

SECTION 37. A NEW SECTION OF KRS 152.710 TO 152.725 IS CREATED TO READ AS FOLLOWS:

(1) The Governor's Office of Energy Policy is created and attached for administrative purposes to the Office of the Governor. The Governor's Office of Energy Policy shall be headed by an executive director.

(2) The Governor's Office of Energy Policy shall:

(a) Oversee the development and implementation of Kentucky's comprehensive energy strategy;

(b) Provide leadership to enhance the benefits of energy efficiency and alternative energy through supporting awareness, technology development, energy preparedness, partnerships, and resource development;

(c) Enhance the economic opportunities and benefits to Kentucky citizens and industry through expansion of current markets and the development of market opportunities for Kentucky coal, natural gas, petroleum, oil shale, tar sands, liquid and gaseous fuels from coal, and chemicals from coal;

(d) To the extent funding is available, administer grant programs to support energy-related research, development, and demonstration, including the support of multistate cooperative regional partnerships and research initiatives;

(e) Develop and implement programs for the development, conservation, and utilization of energy in a manner to meet essential human needs while maintaining the Kentucky economy at the highest feasible level. The programs shall include:

1. Central access for collection, maintenance, and analysis of data and information on all forms of energy supply, demand, conservation, and related subjects;

2. Formulation of a contingency plan to address any energy shortage which may occur from time to time. The contingency plan shall relate to the curtailment, allocation, planning, and management of all forms of energy;

3. Development and implementation of major energy conservation programs involving all sectors of the Kentucky economy, including energy audits of educational facilities and state-owned buildings; and

4. Provision for the application of appropriate technologies with regard to alternative energy development, including the development of solar and other renewable resources and small-scale hydroelectric plants, and promotion, when feasible, of the production of energy from other resources such as solid waste and biomass;

(f) Provide technical assistance to the Finance and Administration Cabinet in implementing the Energy Efficiency in Government Buildings Program;

(g) Enter into agreements, administer grant programs, and serve as a liaison with the federal government and other states in matters relating to energy; and

(h) Participate in the review of applications and, upon request of the authority, assist the Kentucky Economic

Development Finance Authority in monitoring tax incentive agreements as provided in Subchapter 27 of KRS Chapter 154.

(3) The office may establish reasonable application fees to offset costs associated with reviewing and processing applications, including costs associated with hiring outside consultants.

(4) The office is encouraged to use state funding available to it as a match for federal or private funding to increase the resources available to support energy research and development.

(5) The office is encouraged to explore and develop regional partnerships and cooperative research initiatives with other states and governmental entities to enhance resources available for energy research and development.

Section 38. KRS 152.715 is amended to read as follows:

As used in KRS 152.710 to 152.725, unless the context requires otherwise:

(1) "***Alternative***~~[Alternate]~~ transportation fuels" means transportation fuels produced by processes that convert coal, ***waste coal,*** or biomass resources or extract oil from oil shale to produce fuels for powering vehicles, aircraft, and machinery. "***Alternative***~~[Alternate]~~ transportation fuels" may include but are not limited to petroleum, jet fuel, gasoline, diesel fuel, hydrogen derived from coal, and diesel fuel and ethanol derived from biomass;

(2) "Synthetic natural gas" means pipeline quality or industrial quality natural gas produced from coal through gasification processes;

(3) "Fossil energy resources" means reserves of coal, oil shale, and natural gas; and

(4) "Biomass resources" means ***any organic matter that is available on a renewable or recurring basis, including agricultural crops and trees; wood and wood residues; plants, aquatic plants, and plant oils; grasses; animal fats and animal by-products; animal manure; residue materials; and waste products***~~[agricultural materials that may be used for production of transportation fuels such as biodiesel or ethanol or that may themselves be used as a fuel, alone or in combination with a fossil fuel, for generation of electricity]~~.

Section 39. KRS 152.720 is amended to read as follows:

To ensure that Kentucky will lead the states in securing the energy independence of the United States and will consequently benefit from economic growth and stabilization of the Commonwealth's coal industry and agriculture, the ***Governor's***~~[Kentucky]~~ Office of Energy Policy shall develop and implement a strategy for production of ***alternative***~~[transportation]~~ fuels and synthetic natural gas from fossil energy resources and biomass resources. The strategy shall address:

(1) Technologies available or in use for producing ***alternative***~~[transportation]~~ fuels and synthetic natural gas from fossil energy resources and biomass resources and the relative advantages of these in terms of process efficiencies, environmental performance, and marketable products, including chemicals, industrial feedstocks, and electricity;

(2) Research, demonstration, and commercial-scale construction and operation of one (1) or more technologies, and follow-up expansion;

(3) The essential nature of efficient cooperation, coordination, and synergy between the efforts of the ***Governor's*** Office of Energy Policy and those of Kentucky's universities in order to maximize Kentucky's opportunities to ***access***~~[tap]~~ federal ***funds***~~[funding streams]~~ and ***to*** receive research grants and awards from federal and other sources ***to fund***~~[funding]~~ the development of clean coal technology, coal-to-liquid-fuel conversion, synthetic natural gas, ***alternative***~~[alternate]~~ transportation fuels, and biomass~~[energy]~~ resources;

(4) ***The identification of*** federal funds ***available*** for research, development, construction, and operation of ***alternative***~~[alternate]~~ fuels or synthetic natural gas plants at laboratory, demonstration, and commercial scale;

(5) Establishment of a major federal energy research laboratory in Kentucky;

(6) Industry participation, both by single firms and by consortia, in research, development, construction, and operation of ***alternative***~~[alternate]~~ transportation fuels or synthetic natural gas plants;

(7) Establishment or expansion of Kentucky state government incentives for development, construction, or operation of ***alternative***~~[alternate]~~ transportation fuels and synthetic natural gas production facilities, including but not limited to financial incentives, tax incentives, mandating or providing incentives for use of ***alternative***~~[alternate]~~ transportation fuels and synthetic natural gas by state government, school districts, or utilities, authority to issue bonds, and acquisition and preliminary environmental assessment of industrial sites; and

(8) Development of incentives to encourage energy conservation and renewable fuel and energy use and deployment ***of renewable energy,*** including solar ***power***, wind ***power***, ***hydropower***~~[hydro]~~, and other sources.~~[State incentives should mirror those established at the federal level.]~~

Section 40. KRS 56.790 is amended to read as follows:

(1) The Energy Policy Advisory Council is hereby established for the purpose of assisting and advising the ***Governor's*** Office of Energy Policy. Membership shall consist of:

(a) Fifteen (15) members of the public, appointed by the Governor and representing various energy interests within the Commonwealth; and

(b) The executive director of the ***Governor's*** Office of Energy Policy who shall serve as a nonvoting member and as chairman of the council.

(2) (a) Each appointed member shall serve for a term of four (4) years.

(b) Any member may be removed~~[from his appointment]~~ by the Governor for cause.

(c) Appointed members shall be reimbursed for travel costs incurred in attending meetings, which shall be paid from the funds of the ***Governor's*** Office of Energy Policy, and in compliance with the~~[Commerce Cabinet's]~~ procedures for travel and reimbursement ***of the Office of the Governor***.

(3) (a) The chairman shall set the agenda, place, and time of meetings which shall be held a minimum of two (2) times a year and shall be held in accordance with the provisions of the Open Meetings Act, KRS 61.805 to 61.850.

(b) A quorum for all council meetings shall consist of eight (8) of the appointed members.

SECTION 41. A NEW SECTION OF KRS 152.710 TO 152.725 IS CREATED TO READ AS FOLLOWS:

From a list of potential sites developed by the Governor's Office of Energy Policy and suitable for development of alternative fuel facilities, gasification facilities or renewable energy facilities as defined in Section 1 of this Act, the Governor's Office of Energy Policy may expend state funds for preliminary environmental and baseline assessments, inventories, and other activities on or for the potential sites in furtherance of environmental or other permitting required for the development of an eligible project.

Section 42. KRS 224.10-100 is amended to read as follows:

In addition to any other powers and duties vested in it by law, the cabinet shall have the authority, power, and duty to:

(1) Exercise general supervision of the administration and enforcement of this chapter, and all rules, regulations, and orders promulgated thereunder;

(2) Prepare and develop a comprehensive plan or plans related to the environment of the Commonwealth;

(3) Encourage industrial, commercial, residential, and community development which provides the best usage of land areas, maximizes environmental benefits, and minimizes the effects of less desirable environmental conditions;

(4) Develop and conduct a comprehensive program for the management of water, land, and air resources to assure their protection and balance utilization consistent with the environmental policy of the Commonwealth;

(5) Provide for the prevention, abatement, and control of all water, land, and air pollution including, but not limited to, that related to particulates, pesticides, gases, dust, vapors, noise, radiation, odor, nutrients, heated liquid, or other contaminants;

(6) Provide for the control and regulation of surface coal mining and reclamation in a manner to accomplish the purposes of KRS Chapter 350;

(7) Secure necessary scientific, technical, administrative, and operational services, including laboratory facilities, by contract or otherwise;

(8) Collect and disseminate information and conduct educational and training programs relating to the protection of the environment;

(9) Appear and participate in proceedings before any federal regulatory agency involving or affecting the purposes of the cabinet;

(10) Enter and inspect any property or premises for the purpose of investigating either actual or suspected sources of pollution or contamination or for the purpose of ascertaining compliance or noncompliance with this chapter, or any regulation which may be promulgated thereunder;

(11) Conduct investigations and hold hearings and compel the attendance of witnesses and the production of accounts, books, and records by the issuance of subpoenas;

(12) Accept, receive, and administer grants or other funds or gifts from public and private agencies including the federal government for the purpose of carrying out any of the functions of the cabinet. The funds received by the cabinet shall be deposited in the State Treasury to the account of the cabinet;

(13) Request and receive the assistance of any state or municipal educational institution, experiment station, laboratory, or other agency when it is deemed necessary or beneficial by the cabinet in the performance of its duties;

(14) Advise, consult, and cooperate with other agencies of the Commonwealth, other states, the federal government, and interstate and interlocal agencies, and affected persons, groups, and industries;

(15) Formulate guides for measuring presently unidentified environmental values and relationships so they can be given appropriate consideration along with social, economic, and technical considerations in decision making;

(16) Monitor the environment to afford more effective and efficient control practices, to identify changes and conditions in ecological systems, and to warn of emergency conditions;

(17) Adopt, modify, or repeal with the recommendation of the commission any standard, regulation, or plan specified in subsections (5) and (6) of KRS 224.01-110;

(18) Issue, after hearing, orders abating activities in violation of this chapter, or the provisions of this chapter, or the regulations promulgated pursuant thereto and requiring the adoption of the remedial measures the cabinet deems necessary;

(19) Issue, continue in effect, revoke, modify, suspend, or deny under such conditions as the cabinet may prescribe and require that applications be accompanied by plans, specifications, and other information the cabinet deems necessary for the following permits:

(a) Permits to discharge into any waters of the Commonwealth, and for the installation, alteration, expansion, or operation of any sewage system; however, the cabinet may refuse to issue the permits to any person, or any partnership, corporation, etc., of which the person owns more than ten percent (10%) interest, who has improperly constructed, operated, or maintained a sewage system willfully, through negligence, or because of lack of proper knowledge or qualifications until the time that person demonstrates proper qualifications to the cabinet and provides the cabinet with a performance bond;

(b) Permits for the installation, alteration, or use of any machine, equipment, device, or other article that may cause or contribute to air pollution or is intended primarily to prevent or control the emission of air pollution; or

(c) Permits for the establishment or construction and the operation or maintenance of waste disposal sites and facilities;

(20) May establish, by regulation, a fee or schedule of fees for the cost of processing applications for permits authorized by this chapter, and for the cost of processing applications for exemptions or partial exemptions which may include, but not be limited to, the administrative costs of a hearing held as a result of the exemption application, except that applicants for existing or proposed publicly-owned facilities shall be exempt from any charge, other than emissions fees assessed pursuant to KRS 224.20-050, and that certain nonprofit organizations shall be charged lower fees to process water discharge permits under KRS 224.16-050(5);

(21) May require for persons discharging into the waters or onto the land of the Commonwealth, by regulation, order, or permit, technological levels of treatment and effluent limitations;

(22) Require, by regulation, that any person engaged in any operation regulated pursuant to this chapter install, maintain, and use at such locations and intervals as the cabinet may prescribe any equipment, device, or test and the methodologies and procedures for the use of the equipment, device, or test to monitor the nature and amount of any substance emitted or discharged into the ambient air or waters or land of the Commonwealth and to provide any information concerning the monitoring to the cabinet in accordance with the provisions of subsection (23) of this section;

(23) Require by regulation that any person engaged in any operation regulated pursuant to this chapter file with the cabinet reports containing information as to location, size, height, rate of emission or discharge, and composition of any substance discharged or emitted into the ambient air or into the waters or onto the land of the Commonwealth, and such other information the cabinet may require;

(24) Promulgate regulations, guidelines, and standards for waste planning and management activities, approve waste management facilities, develop and publish a comprehensive statewide plan for nonhazardous waste management which shall contain, but not be limited to, the provisions set forth in KRS 224.43-345, and develop and publish a comprehensive statewide plan for hazardous waste management which shall contain, but not be limited to, the following:

(a) A description of current hazardous waste management practices and costs, including treatment and disposal, within the Commonwealth;

(b) An inventory and description of all existing facilities where hazardous waste is being generated, treated, recycled, stored, or disposed of, including an inventory of the deficiencies of present facilities in meeting current hazardous waste management needs and a statement of the ability of present hazardous waste management facilities to comply with state and federal laws relating to hazardous waste;

(c) A description of the sources of hazardous waste affecting the Commonwealth including the types and quantities of hazardous waste currently being generated and a projection of such activities as can be expected to continue for not less than twenty (20) years into the future; and

(d) An identification and continuing evaluation of those locations within the Commonwealth which are naturally or may be engineered to be suitable for the establishment of hazardous waste management facilities, and an identification of those general characteristics, values, and attributes which would render a particular location unsuitable, consistent with the policy of minimizing land disposal and encouraging the treatment and recycling of the wastes.

The statewide waste management plans shall be developed consistent with state and federal laws relating to waste;

(25) Perform other acts necessary to carry out the duties and responsibilities described in this section;

(26) Preserve existing clean air resources while ensuring economic growth by issuing regulations, which shall be no more stringent than federal requirements, setting maximum allowable increases from stationary sources over baseline concentrations of air contaminants to prevent significant deterioration in areas meeting the state and national ambient air quality standards;

(27) Promulgate regulations concerning the bonding provisions of subsection (19)(a) of this section, setting forth bonding

requirements including, but not limited to, requirements for the amount, duration, release, and forfeiture of the bonds. All funds from the forfeiture of bonds required pursuant to this section shall be placed in the State Treasury and credited to a special trust and agency account which shall not lapse. The account shall be known as the "sewage treatment system rehabilitation fund" and all moneys placed in the fund shall be used for the elimination of nuisances and hazards created by sewage systems which were improperly built, operated, or maintained, and insofar as practicable be used to correct the problems at the same site for which the bond or other sureties were originally provided; ***and***

~~(28)[Develop and implement programs for the development, conservation, and utilization of energy in a manner to meet essential human needs while maintaining the Kentucky economy at the highest feasible level. The programs shall include:~~

~~(a) Central access for collection, maintenance, and analysis of data and information on all forms of energy supplies, demand, conservation, and related subjects;~~

~~(b) Formulation of a contingency plan to cope with any energy shortage which may occur from time to time. The contingency plan shall relate to the curtailment, allocation, planning, and management of all forms of energy;~~

~~(c) Development and implementation of major energy conservation programs involving all sectors of the Kentucky economy including energy audits of educational facilities and state owned buildings; and~~

~~(d) Provision for the application of appropriate technologies with regard to alternate energy development, including the development of solar and other renewable resources and small scale hydroelectric plants, and, promotion, when feasible, of the production of energy from other resources such as solid waste and biomass;~~

~~(29) Enter into agreements, administer grant programs, and serve as liaison with the federal government and other states regarding the programs mandated by subsection (28) of this section; and~~

~~(30)]~~ Promulgate administrative regulations not inconsistent with the provisions of law administered by the cabinet.

Section 43. KRS 224.10-103 is amended to read as follows:

~~[(1)]~~In addition to the powers and duties set out in this and other chapters of the Kentucky Revised Statutes that are vested in the cabinet and the secretary to protect and enhance the state's natural resources and environment, the cabinet and the secretary are also vested with the powers and duties previously vested in the Public Protection and Regulation Cabinet and the Labor Cabinet, and the secretaries of those cabinets, so long as those powers and duties are not contrary to or in conflict with the organization of the cabinet established by statute or by executive order of the Governor, as ratified by the General Assembly.

~~[(2) The Office of Energy Policy shall be transferred to the Commerce Cabinet, Office of the Secretary. All personnel, functions, powers, and duties of the Office of Energy Policy shall be transferred to the Commerce Cabinet.]~~

Section 44. KRS 141.430 is amended to read as follows:

(1) As used in this section, unless the context requires otherwise:

(a) "Approved company" has the same meaning as set forth in KRS 154.48-010;

(b) "Project" has the same meaning as set forth in KRS 154.48-010;

(c) "Tax credit" means the tax credit allowed in KRS 154.48-025;

(d) "Kentucky gross profits" means Kentucky gross profits as defined in KRS 141.0401; and

(e) "Kentucky gross receipts" means Kentucky gross receipts as defined in KRS 141.0401.

(2) An approved company shall determine the income tax credit as follows:

(a) 1. Compute the tax imposed by KRS 141.040 or the tax imposed by KRS 141.020 on the taxable net income of the corporation or taxable net income of the individual for the first taxable ***year***~~[period]~~ after December 31, 2005, that ends immediately prior to the activation date defined in KRS 154.48-010(1);

2. Compute the limited liability entity tax imposed under KRS 141.0401***, if applicable,*** for the first taxable ***year***~~[period]~~ after December 31, 2005, that ends immediately prior to the activation date defined in KRS 154.48-010(1); and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(b) 1. ***For each taxable year beginning with the year in which the activation date defined in KRS 154.48-010(1) occurs and ending with the year in which the agreement terminates as referenced in KRS 154.48-025(5),*** compute the tax imposed by KRS 141.040 or the tax imposed by KRS 141.020 on the taxable net income for the ***current***~~[first]~~ taxable ***year***~~[period ending after the activation date defined in KRS 154.48-010(1)]~~;

2. Using the same method used under paragraph (a)2. of this subsection, ***for each taxable year beginning with the year in which the activation date defined in KRS 154.48-010(1) occurs and ending with the year in which the agreement terminates as referenced in KRS 154.48-025(5),*** compute the limited liability entity tax imposed under KRS 141.0401 for the ***current***~~[first]~~ taxable ***year***~~[period ending after the activation date defined in KRS 154.48-010(1)]~~; and

3. Add the amounts computed under subparagraphs 1. and 2. of this paragraph and, if applicable, subtract the credit permitted by KRS 141.0401(3) from that sum. The resulting amount shall be the net tax for purposes of this paragraph.

(c) The income tax credit shall be the amount that the computation under paragraph (b)3. of this subsection exceeds the amount computed under paragraph (a)3. of this subsection, subject to the limitations provided by KRS 154.48-025.

(3) An approved company that is a pass-through entity not subject to the tax imposed by KRS 141.040 shall be subject to income tax on the net income attributable to the project at the rates provided in KRS 141.020. The amount of the credit shall be determined as provided in subsection (2) of this section. The credit shall apply to both the tax imposed by KRS 141.0401 and the tax imposed by KRS 141.020, with the ordering of credits as provided in KRS 141.0205. Upon the annual election of the approved company, in lieu of the tax credit, an amount shall be applied as an estimated tax payment equal to the tax computed in this section. Any estimated tax payment made pursuant to this paragraph shall be in satisfaction of the tax liability of the partners, members, or shareholders of the pass-through entity and shall be paid on behalf of the partners, members, shareholders, or beneficiaries.

(4) The department~~[of Revenue]~~ may ***promulgate***~~[issue]~~ administrative regulations and require the filing of forms designed by the department~~[of Revenue]~~ to reflect the intent of the provisions of this section.

SECTION 45. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

As used in Sections 45 to 49 of this Act:

(1) "Alternative fuels" means:

(a) Alternative transportation fuels as defined in Section 38 of this Act;

(b) Synthetic natural gas as defined in Section 38 of this Act;

(c) Biodiesel produced from biomass resources as defined in Section 38 of this Act that is used for purposes other than transportation fuel;

(d) Ethanol as defined in Section 20 of this Act;

(e) Cellulosic ethanol as defined in Section 20 of this Act; and

(f) Any other fuel that is produced from a renewable or sustainable source;

(2) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, person, group, or other entity engaged in research and development and commercialization related to, or the production of, alternative fuels or renewable energy;

(3) "Kentucky-based" means a business with its principal place of business in Kentucky or at least fifty-one percent (51%) of its property and payroll located in Kentucky;

(4) "Qualified company" means an eligible company that may be granted funding pending final approval;

(5) "Renewable energy" means electricity produced by hydropower, solar power, landfill methane gas, wind power, geothermal, biomass, or other renewable sources; and

(6) "Science and technology organization" means an independent, nonprofit quasi-governmental organization with a statewide mission and demonstrated history of managing complicated programs in the areas of entrepreneurial innovation, research and development, and science and technology advancement.

SECTION 46. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) The cabinet shall have all the powers and authority, not explicitly prohibited by statute, necessary and convenient to carry out and effectuate the purposes of Sections 45 to 49 of this Act, including but not limited to:

(a) Entering into contracts or agreements necessary or incidental to the performance of its duties, functions, and responsibilities; and

(b) Soliciting, borrowing, accepting, receiving, and expending funds from any public or private source, including but not limited to appropriations of the Commonwealth, grants, or contributions of money, property, labor, or other things of value to be used to carry out the program's operations, functions, and responsibilities.

(2) The cabinet may expend money in the fund created in Section 47 of this Act for reasonable administrative expenses directly incurred in carrying out the requirements of Sections 45 to 49 of this Act. It is the intent of the General Assembly that the fund created in Section 47 of this Act be used, to the fullest extent possible, to directly fund project costs. It is also the intent of the General Assembly that revenues available that are generated through investments of the fund be redeposited in the fund and that those amounts shall be considered in establishing appropriations.

(3) The cabinet shall contract with a science and technology organization to administer the program created in Sections 45 to 49 of this Act. The cabinet shall approve the application criteria, the process for submission of an application, and the structure and type of outside expertise or peer review used in the application review process in the program created in Sections 45 to 49 of this Act.

(4) No member of the cabinet or the science and technology organization or other administering entity, or their employees or outside experts or their immediate family members, shall directly or indirectly financially benefit in any award, contract, or agreement under the program.

(5) The cabinet and the science and technology organization shall submit a joint annual report prior to October 15 to the Governor and the General Assembly detailing its work related to the program created in Sections 45 to 49 of this Act. The annual report shall include but not be limited to reporting on the progress made in achieving the program's purposes, qualitative and quantitative information concerning the applications received, projects approved and undertaken, companies served, funding amounts invested in each project, and findings and recommendations to increase the program's effectiveness in achieving its purposes.

(6) All records related to the administration of the program created in Sections 45 to 49 of this Act shall be deemed property of the cabinet and shall be open records and subject to public inspection under KRS 61.870 to 61.884. Any research or information that involves or is a patent, trade secret, or other legally protectable interest shall be exempt from inspection until the intellectual property rights have been fully protected.

SECTION 47. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

There is created in the State Treasury the "Kentucky alternative fuel and renewable energy fund" for the purpose of enabling Kentucky-based companies to undertake research and development and commercialization in the area of alternative fuel or renewable energy. The fund may receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9). Any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Alternative Fuel and Renewable Energy Fund Program.

SECTION 48. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) There is created in the cabinet a Kentucky Alternative Fuel and Renewable Energy Fund Program to provide funding to Kentucky-based companies to undertake research and development and commercialization work in the area of alternative fuels and renewable energy.

(2) The purpose of the Kentucky Alternative Fuel and Renewable Energy Fund Program is to:

(a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth of Kentucky-based companies involved in the areas of alternative fuels or renewable energy;

(b) Support research and development activities that have clear potential to lead to commercially successful products, processes, or services in the areas of alternative fuels or renewable energy within a reasonable period of time;

(c) Stimulate growth-oriented alternative fuel and renewable energy enterprises within the Commonwealth;

(d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's universities, and research organizations in alternative fuels and renewable energy; and

(e) Promote research and development and commercialization activities in alternative fuels and renewable energy that are market-oriented.

SECTION 49. A NEW SECTION OF SUBCHAPTER 20 KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) The science and technology organization shall have the authority to review applications, qualify companies, and certify qualified companies.

(2) The science and technology organization shall develop application criteria and an application process.

(3) The science and technology organization shall focus on providing support to research and development projects that are likely to:

(a) Produce a measurable result and be technically sound;

(b) Lead to innovative technology or new knowledge;

(c) Lead to commercially successful products, processes, or services within a reasonable period of time; or

(d) Show significant potential for stimulating innovation-driven economic growth and a reasonable probability to enhance employment opportunities within the Commonwealth.

(4) An eligible company may submit to the science and technology organization an application for funding. The application shall include but not be limited to the following information:

(a) Verification that the applicant is an eligible company that is Kentucky-based;

(b) A technical research and commercialization plan that is sufficient for outside expert review;

(c) A detailed financial analysis that includes the commitment of resources by the applicant and others;

(d) Sufficient detail concerning proposed project partners, type and amount of work to be performed by each partner, and expected product or service with estimated costs to be reflected in the negotiated contract or agreement;

(e) A statement of the economic development potential of the project; and

(f) Any other information the science and technology organization may require.

(5) The science and technology organization shall conduct an independent review using internal and external resources to evaluate each application. Following the application review, the science and technology organization shall make a written determination of whether the applicant is a qualified company as defined in Section 45 of this Act.

(6) Before a qualified company is approved for funding, the qualified company shall negotiate an agreement and funding contract that is satisfactory to the science and technology organization with any project partners to undertake the research and development work.

(7) Upon a qualified company's presentation of a legal agreement or contract meeting the conditions under subsection (6) of this section, the science and technology organization shall negotiate the terms for funding with the qualified company and shall enter into a contract with the qualified company if an agreement is reached.

(8) Any agreement shall include a provision that a qualified company shall, at a minimum, match the funding provided through the science and technology organization on a one-to-one dollar ratio for each year of the project. The science and technology organization shall have sole discretion to authorize an in-kind contribution in lieu of part of the match required for the qualified company, if the science and technology organization determines that the financial limitations of the qualified company warrant this authorization.

(9) The science and technology organization may negotiate with the qualified company the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky alternative fuel and renewable energy fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the provisions of Sections 45 to 49 of this Act.

(10) The science and technology organization, upon approval by the cabinet, shall issue guidelines for statewide notification of the program's availability and a program schedule, including but not limited to an application review cycle including:

(a) A deadline for submission of applications, which shall be at least biennially; and

(b) A deadline for completing the review of applications, which shall not exceed five (5) months after the application submission deadline.

Section 50. The Public Service Commission shall examine existing statutes relating to its authority over public utilities, and shall, on or before July 1, 2008, make recommendations to the Legislative Research Commission regarding the following issues:

(1) Eliminating impediments to the consideration and adoption by utilities of cost-effective demand-management strategies for addressing future demand prior to Commission consideration of any proposal for increasing generating capacity;

(2) Encouraging diversification of utility energy portfolios through the use of renewables, and distributed generation;

(3) Incorporating full-cost accounting that considers and requires comparison of life-cycle energy, economic, public health, and environmental costs of various strategies for meeting future energy demand; and

(4) Modifying rate structures and cost recovery to better align the financial interests of the utility with the goals of achieving energy efficiency and lowest life-cycle energy costs to all classes of ratepayers.

Section 51. The Legislative Research Commission shall designate legislative staff to study energy-efficient building and construction practices.

(1) The study shall review current building practices that promote energy efficiency and the current structure of tax incentives relative to energy efficiency in construction and building operating systems, including:

(a) Methods currently employed to increase energy efficiency in building design and construction;

(b) Energy-efficient methods currently available to decrease the amount of energy used by the operating systems of buildings;

(c) Identification of currently known methods of improving energy efficiency that may become commercially viable in the future; and

(d) Identification of incentives to encourage improvements in energy-efficient building methods and the use of energy-saving building components and operating systems that are currently in use or are proposed, including:

1. Current and proposed federal incentives;

2. Current and proposed incentives offered in other states;

3. Current and proposed incentives offered by local governments of this and other states; and

4. Recommendations regarding state building, plumbing, electrical, and other construction-related codes and efficiency certification programs, that could increase efficiency in building design, construction, and

operating systems.

(2) The study shall be completed by November 1, 2008, with a written report presented to the Interim Joint Committee on Appropriations and Revenue and the Special Subcommittee on Energy by December 1, 2008.

(3) Provisions of this section to the contrary notwithstanding, the Legislative Research Commission shall have the authority to alternatively assign the issues identified herein to an interim joint committee or subcommittee thereof, and to designate a study completion date.

Section 52. The General Assembly recognizes the importance of proactively addressing the issue of carbon management in existing coal-fired power plants, and carbon emissions in general. Therefore, the General Assembly directs the Governor's Office of Energy Policy, the University of Kentucky Center for Applied Energy Research, the Geological Survey at the University of Kentucky, the Public Service Commission, and the Environmental and Public Protection Cabinet to collaboratively produce a report and recommendations to be presented to the Legislative Research Commission on or before November 30, 2007. The report shall address the following:

(1) The current status of research and technology to manage carbon dioxide in existing coal-fired power plants;

(2) Existing sources of support for research related to managing carbon dioxide in existing coal-fired power plant and the adequacy of such sources;

(3) The estimated capital and energy costs associated with installing the technology or upgrading existing coal-fired power plants to better manage carbon;

(4) Identification of specific potential research projects and demonstration projects to enhance the development and deployment of new technology in this area; and

(5) Identification of the types of incentives or other government assistance that would be helpful in supporting the development and implementation of new technologies to reduce carbon emissions at existing coal-fired power plants, including strategies for isolation, capture, and management of carbon dioxide.

In addition, the report shall address the following with regard to carbon dioxide emissions:

(1) The current status of research and technology in the capture and sequestration of carbon dioxide;

(2) Identification of marketing opportunities and uses for carbon dioxide as a value-added commodity, the maturity and long-term feasibility of those markets, the potential for carbon utilization relative to the anticipated generation of carbon, and the economic and environmental risks associated with these uses of carbon dioxide;

(3) Identification of other uses for carbon dioxide and the feasibility of large-scale implementation of such uses;

(4) Identification of feasible methods for capturing and transporting carbon dioxide from the generation point to end users, including the construction of carbon dioxide pipelines, rail transportation, or other means, and the positives and negatives for each method;

(5) Identification of any issues or concerns relating to carbon dioxide that are unique to Kentucky;

(6) Assessment of long-term risks and uncertainties associated with carbon-management options;

(7) Identification of existing collaborative efforts and partnerships developed to address carbon dioxide issues that Kentucky participates in; and

(8) Identification of the types of incentives or other government assistance necessary to support the development and implementation of new technologies to capture and sequester carbon.

The Governor's Office of Energy Policy, the University of Kentucky Center for Applied Energy Research, the Geological Survey at the University of Kentucky, the Public Service Commission, and the Environmental and Public Protection Cabinet are encouraged to consult and collaborate with stakeholders, including industry partners, research institutes, and other universities to develop the report and recommendations.

SECTION 53. A NEW SECTION OF KRS CHAPTER 164A IS CREATED TO READ AS FOLLOWS:

(1) It is the intent of the General Assembly to establish a student loan forgiveness program for individuals who receive a bachelor's degree or graduate degree from a Kentucky college or university after the effective date of this Act and who are employed in an energy-related field as engineers, engineering technologists, chemists, geologists, or hydrologists in Kentucky. The loan forgiveness program shall be funded by the Commonwealth of Kentucky using state appropriations and shall be administered by the Kentucky Higher Education Student Loan Corporation. All costs associated with the program shall be paid for by the Commonwealth of Kentucky, including the reimbursement of any expenses incurred by the corporation in its administration of the program.

(2) To the extent funds are available, the corporation shall provide eligible individuals forgiveness of loans within the Federal Family Education Loan Program held by the corporation up to a maximum of:

(a) Twenty percent (20%) of the loan balance principal; and

(b) Accrued interest;

for each year of qualified employment in Kentucky after the effective date of this Act in an eligible occupation as set forth in subsection (4) of this section.

(3) An individual shall be eligible for the loan forgiveness if he or she:

(a) Is a Kentucky resident, as determined by the corporation using the criteria established by the Council on Postsecondary Education for the purposes of postsecondary admission and tuition assessment;

(b) Is a citizen of the United States;

(c) Received a bachelor's degree or graduate degree after the effective date of this Act from a postsecondary education institution in Kentucky that is accredited by a regional or national accrediting association; and

(d) Is employed full-time in Kentucky in an eligible occupation as set forth in subsection (4) of this section.

(4) Qualified employment in an eligible occupation shall be employment in an energy-related field as an engineer, including environmental engineer; engineering technologist, including environmental engineering technologist; chemist; geologist; or hydrologist. The corporation shall establish the specific eligible occupational titles within the eligible occupations set forth in this subsection through the promulgation of administrative regulations using the Standard Occupational Classification System of the Bureau of Labor Statistics within the U.S. Department of Labor. The corporation shall consult with the Council on Postsecondary Education in determining eligible occupational titles.

(5) The corporation shall promulgate administrative regulations in accordance with KRS Chapter 13A as may be needed for the administration of the loan forgiveness program.

SECTION 54. A NEW SECTION OF KRS CHAPTER 158 IS CREATED TO READ AS FOLLOWS:

(1) Subject to the availability of funds, the Kentucky Department of Education shall establish an energy technology career track program. The purpose of the program is to provide grants to school districts to develop and implement an energy technology engineering career track across middle and high schools within the district. Program components may include but not be limited to career exploration and counseling, strategies to increase the rigor of instruction in pertinent core content areas, strategies to link core content to an energy technology career focus, professional development for teachers, and cooperative learning opportunities with industry and postsecondary institutions.

(2) The Kentucky Board of Education shall promulgate administrative regulations for the administration of the energy technology career track program. The Kentucky Department of Education shall administer the program, approve grant recipients, and distribute the funds to local school districts.

Section 55. (1) It is the intent of the General Assembly to establish a collaborative to develop a plan for the creation of a Center for Renewable Energy Research and Environmental Stewardship. The mission of the center shall be to provide leadership, research, support, and policy development in renewable energy, to advance the goal of sustainable energy and to promote technologies, practices, and programs that increase efficiency in energy utilization in homes, businesses, and public buildings. The planning collaborative shall consist of the state universities, the Kentucky Community and Technical College System, the Governor's Office of Energy Policy, and any other stakeholders, including other colleges and universities, energy producers, business groups, energy conservation organizations, and consumers identified by the Advisory Conference of Presidents established by KRS 164.021 as part of the plan required by subsection (2) of this section.

(2) The Advisory Conference of Presidents shall develop a proposed plan for the establishment of a Center for Renewable Energy Research and Environmental Stewardship.

(3) In developing the plan, the Conference of Presidents shall:

(a) Collaborate with the entities listed in subsection (1) of this section and any other identified stakeholders to solicit input and recommendations; and

(b) In developing proposed strategies for the center, consider the recommendations of the Governor's Comprehensive Energy Strategy; "Kentucky Energy - Opportunities for our Future" relating to renewable energy and energy efficiency; and the Final Report and Recommendations of the Environmental and Public Protection Cabinet Task Force on Energy Efficiency.

(4) The proposed plan shall be submitted to the Legislative Research Commission on or before November 30, 2007.

(5) The plan shall include the following components:

(a) A description of the proposed structure for the operation of a Center for Renewable Energy Research and Environmental Stewardship, including leadership, oversight, and governance;

(b) Proposed strategies to achieve the purposes of the center;

(c) A list of collaborative partners and a description of the role to be played by each of the collaborative partners; and

(d) Recommended funding necessary to implement the proposed plan.

Section 56. The following KRS sections are repealed:

152.750 Policy of Commonwealth -- Implementation.

152.755 Contracts for development or demonstration projects.

152.760 Revenue bonds.

152.762 Bonds, how to be secured.

152.765 Deposit of proceeds from contracts.

152.770 Limitation of Commonwealth's liability and claims.

152.775 Termination of Commonwealth participation -- Repayment.

152.780 Administrative staff.

152.785 Energy development and demonstration trust fund -- Indemnity account.

Section 57. There is hereby appropriated $5,000,000 in fiscal year 2007-2008 from the General Fund to the Governor's Office of Energy Policy for the purpose of entering into a memorandum of agreement with the Kentucky Geological Survey at the University of Kentucky to conduct research, either itself or in collaboration or under contract with other entities, to quantify the potential for enhanced oil and gas recovery and enhanced coalbed methane recovery using carbon dioxide. The research shall include the drilling of deep wells in both coal fields (Illinois and Appalachian) in Kentucky, and performing the analysis necessary to estimate the potential for enhanced oil and gas recovery, enhanced coalbed methane recovery, or permanent storage of sequestration of carbon dioxide. At least one of the wells will test the Devonian shale for enhanced gas recovery and sequestration potential. The Kentucky Geological Survey is encouraged to use these funds to match available federal and private funds to the extent possible. The Governor's Office of Energy Policy shall report to the Legislative Research Commission by December 1, 2007, regarding the status of the research project with this appropriation.

Section 58. There is hereby appropriated $2,000,000 in fiscal year 2007-2008 from the General Fund to the University of Kentucky to develop the fundamental knowledge, applied science, and engineering necessary to allow industry to rapidly incorporate alternative fuel production technologies into plant design and construction. These funds shall be used by the University of Kentucky Center for Applied Energy Research to:

(1) Upgrade the existing Fischer-Tropsch facility to allow use of modular reactor and downstream processing systems;

(2) Install biomass gasification and gas cleaning capabilities to study the utilization of biomass in the production of Fischer-Tropsch fuels;

(3) Develop a biofuels laboratory for production, characterization, and testing of biomass derived fuels, with a focus on biodiesel, bio-oils, and biomass derived Fischer-Tropsch liquids; and

(4) Expand programs for the capture and utilization of carbon dioxide from coal or biomass electric power generation or Fischer-Tropsch fuel facilities.

The University of Kentucky Center for Applied Energy Research is encouraged to use these funds to match available federal and private funds to the extent possible. It is the intention of the General Assembly to provide a base amount of funding for the University of Kentucky Center for Applied Energy Research in the minimum amount of $2,000,000 in subsequent fiscal years so that the Center may expand its research capabilities.

Section 59. There is hereby appropriated $300,000 in fiscal year 2007-2008 from the General Fund to the Kentucky Department of Education to support the energy technology career track program established by Section 54 of this Act.

Section 60. There is hereby appropriated $100,000,000 in bond funds for fiscal year 2007-2008 to the Cabinet for Economic Development, Department of Financial Incentives, Energy Projects Economic Development Bond Pool. The bond proceeds are to be used by the Kentucky Economic Development Finance Authority for advance disbursement incentives authorized in Section 9 of this Act. Bond proceeds of up to $10,000,000 of this authorization may be used for an advanced manufacturing economic development project that invests $500,000,000 or more in the Commonwealth and produces a renewable energy source product. Bond proceeds of up to $5,000,000 of this authorization may be deposited in the Kentucky Alternative Fuel and Renewable Energy Fund created in Section 47 of this Act and shall be used by the science and technology organization to provide funding for Kentucky-based companies to undertake research and development and commercialization in the area of alternative fuel or renewable energy as provided in Sections 45 to 49 of this Act.

There is hereby appropriated $5,319,500 from the General Fund for fiscal year 2007-2008 to the Cabinet for Economic Development, Department of Financial Incentives, for half-year debt service to support the bond authorization as set forth above.

Section 61. Whereas it is crucial that the Commonwealth be competitive in offering incentives to encourage the development of new energy resources, and whereas decisions are being made at the present time that could impact the Commonwealth's ability to achieve this goal, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Motion, Petitions, and Communications

Representative Adkins moved that when the House does recess that it does so until 6:00 p.m.; that no other business transpire except the filing of amendments; that when the House does adjourn it does so until the hour of 10:00 a.m., Wednesday, August 22, 2007; and that when the House adjourns it does so by voice vote. Agreed.

Recess

At the appointed hour, the Speaker resumed the Chair and called the House to order.

Floor Amendments

Floor Amendment No. 1 to **HB 1**, by Representative Riner:

HB 1, On page 7, line 14, after the period, by inserting "***The General Assembly further finds that the energy facilities located in Kentucky as a result of this subchapter have a moral obligation to include among their first priorities and principles of operation the health and welfare of their employees and the citizens of the Commonwealth and the protection of the environment, including Kentucky's land, air, and water.***".

Floor Amendment No. 2 to the Committee Substitute to **HB 1**, by Representative Riner:

HB 1, On page 7, line 13, after the period, by inserting "***The General Assembly further finds that the energy facilities located in Kentucky as a result of this subchapter have a moral obligation to include among their first priorities and principles of operation the health and welfare of their employees and the citizens of the Commonwealth and the protection of the environment, including Kentucky's land, air, and water.***".

Floor Amendment No. 3 to the Committee Substitute to **HB 1**, by Representative Wayne:

HB 1, On page 6, line 7 through line 11, by replacing all language with the following:

"***(a) Hydropower used to generate electricity in excess of twenty-five (25) kilowatts for sale to unrelated entities;***

(b) Biomass resources and landfill methane gas used to generate electricity in excess of twenty-five (25) kilowatts for sale to unrelated entities, if the facility converting the biomass resource or the landfill methane gas to electricity is at the same location as the generation of the biomass resource or the landfill methane gas;

(c) Solar power to generate electricity in excess of twenty-five (25) kilowatts for sale to unrelated entities; or

(d) Wind power, biomass resources and landfill methane gas not included in paragraph (b) of this subsection, and other similar renewable resources to generate electricity in excess of one (1) megawatt for sale to unrelated entities."; and

On page 6, line 13, by replacing "***or (b)***" with "***to (d)***"; and

On page 8, line 9, by replacing all text with the following:

"***as follows:***

1. For facilities utilizing resources identified in subsection (24)(a) to (c) of Section 1 of this Act, fifty thousand dollars ($50,000); and

2. For facilities utilizing resources identified in subsection (24)(d) of Section 1 of this Act, one million dollars ($1,000,000).".

Floor Amendment No. 4 to the Committee Substitute to **HB 1**, by Representative Wayne:

HB 1, On page 3, line 18, after the second occurrence of the word "***capture***", by inserting "***and compression***".

Motions, Petitions, and Communications (Continued)

The following members filed requests to have their names added as co-sponsors of a Bill and Resolution:

HB 1, Representatives Denham and Embry

HR 6, Representative Embry

Adjournment

Representative Adkins moved to adjourn until the hour of 10:00 a.m. on Wednesday, August 22, 2007.

The motion that the House adjourn until 10:00 a.m. on Wednesday, August 22, 2007, was adopted by voice vote.

WEDNESDAY, AUGUST 22, 2007

THIRD LEGISLATIVE DAY

The House was called to order by Speaker Richards.

Prayer was offered by Representative Adams.

The Speaker led the members in the Pledge of Allegiance to the Flag.

Representative Webb requested that the House members observe a moment of silence in memory of the miners and the rescuers in the Utah mine accident.

The roll was called. All members were present except Representatives Butler, Hoover, and Moore.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved that the reading of the Journal of August 21, 2007, be dispensed with and the same approved. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording on the next legislative day to do so if they have filed the proper papers with the clerk. Agreed.

Introduction of Bills and Resolutions

HR 8, by Representative Watkins: A RESOLUTION adjourning the House of Representatives in loving memory and honor of Thelma Berry Midgett Watkins.

HR 9, by Representatives Watkins and Arnold: A RESOLUTION adjourning the House of Representatives in loving memory and honor of Raymond B. Preston.

HCR 10, by Representative Adkins: A CONCURRENT RESOLUTION adjourning the 2007 Second Extraordinary Session of the General Assembly sine die.

Representative Adkins moved to suspend the rules to allow the House to stand at ease for a Committee on Committees meeting at the Speaker's podium. Agreed.

The Speaker called the House to order.

Report of Committees

The Committee on Committees Report provided the following committee changes:

Appoint the following members to:

Committee on Agriculture and Small Business

Representative Greer

Representative Bell

Committee on Economic Development

Representative Pasley

Representative Jenkins

Representative A. Smith

Committee on Education

Representative Rader

Committee on Health and Welfare

Representative Meeks

Committee on State Government

Representative Vincent

Budget Review Subcommittee on Justice and Judiciary

Representative Bell - liaison member

Representative Tilley - liaison member

Budget Review Subcommittee on Government, Finance, and Public Protection

Representative Combs - liaison member

Budget Review Subcommittee on Human Resources

Representative Watkins - liaison member

Remove the following members from:

Committee on Agriculture and Small Business

Representative Wilkey

Committee on Health and Welfare

Representative A. Smith

Orders of the Day

Representative Adkins moved that the rules be suspended and that **HB 1** be placed in the Orders of the Day. Agreed.

HB 1, with Committee Substitute and Floor Amendments attached thereto, taken from the Orders of the Day and ordered read at length for the third time. Representative Adkins moved that it be read by title only and placed upon its passage. Agreed by a majority of members elected.

Representative Adkins moved the adoption of the Committee Substitute to **HB 1**. Agreed.

Representative Adkins moved that **HB 1**, by way of Committee Substitute, be passed.

Speaker Pro Tem Clark assumed the Chair.

Speaker Richards resumed the Chair.

On the roll call the vote was: **Yeas 87, Nays 10**. (See August 22, 2007, roll call on **HB 1** - Appendix.)

HB 1, by way of Committee Substitute, was passed and the title agreed to.

Representative Adkins moved that the vote by which **HB 1**, by way of Committee Substitute, was passed be reconsidered and said motion be placed on the table. Agreed.

Motions, Petitions, and Communications

Representative Adkins moved to suspend the Rules to act on a Resolution. Agreed.

Representative Adkins moved the adoption of the following **HCR 10**:

HCR 10, A CONCURRENT RESOLUTION adjourning the 2007 Second Extraordinary Session of the General Assembly sine die.

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky, the Senate concurring therein:

Section 1. When the House of Representatives and the Senate adjourn, Friday, August 24, 2007, they will do so sine die.

On the roll call to adopt **HCR 10** the vote was: **Yeas 97, Nays 0.** (See August 22, 2007, roll call to show co-sponsors on **HCR 10**-Appendix.)

HCR 10 was adopted.

Floor Amendments

Floor Amendment No. 5 to the Committee Substitute to **HB 1**, by Representative Riggs:

HB 1, On page 101, between lines 10 and 11, insert the following:

"Section 55. A NEW SECTION OF KRS CHAPTER 152 IS CREATED TO READ AS FOLLOWS:

(1) There is created in the State Treasury the "Kentucky solar water heater fund" for the purpose of enabling the Governor's Office of Energy Policy to undertake a rebate program for the purchase and installation of solar water heaters as provided in Section 56 of this Act.

(2) The fund may receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private.

(3) Any income earned from the investments along with the unallotted or unencumbered balances in the fund at the close of a fiscal year shall not lapse, but shall carry forward to be used for the purposes set forth in Section 56 of this Act.

Section 56. A NEW SECTION OF KRS CHAPTER 152 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Rebate" means an amount of money issued to the purchaser of a solar water heater; and

(b) "Solar water heater" means equipment which uses solar energy to produce hot water for use in a structure, excluding equipment used to generate energy for the purpose of heating a swimming pool. A solar water heater shall include solar collectors certified by the Solar Ratings and Certification Corporation (SRCC).

(2) The Governor's Office of Energy Policy shall, to the extent funds are available, establish and operate a rebate program to encourage the purchase and installation of solar water heaters.

(3) The rebate shall be twenty-five percent (25%) of the cost to purchase and install a solar water heater, not to exceed one thousand dollars ($1,000) for each solar water heater purchased and installed.

(4) The Governor's Office of Energy Policy shall promulgate an administrative regulation in accordance with KRS Chapter 13A to:

(a) Develop an application process for the solar water heater rebate;

(b) Provide instruction and guidance to all applicants about the process;

(c) Establish standards for review of the application; and

(d) Detail any other administrative procedures related to this section."; and

Renumber subsequent sections accordingly; and

On page 104, between lines 25 and 26, insert the following:

"Section 63. There is hereby appropriated $100,000 in fiscal year 2007-2008 from the General Fund to the Kentucky Solar Water Heater Fund for the purpose of providing a rebate program to purchasers in accordance with Section 56 of this Act."; and

Renumber subsequent sections accordingly.

Motions, Petitions, and Communications (Continued)

The following members filed requests to have their names added as co-sponsors of Resolutions:

HR 6, Representatives Comer and Floyd

HR 7, Representative Yonts

Adjournment

Representative Adkins moved to adjourn until the hour of 5:00 p.m. on Thursday, August 23, 2007.

On the roll call for adjournment the vote was: **Yeas 85, Nays 9**. (See August 22, 2007, roll call for adjournment - Appendix.)

The motion that the House adjourn until August 23, 2007, was adopted.

THURSDAY, AUGUST 23, 2007

FOURTH LEGISLATIVE DAY

The House was called to order by Speaker Richards.

Prayer was offered by Reverend Marcia Woodyard, St. Paul United Methodist Church, Frankfort, Kentucky.

The Speaker led the members in the Pledge of Allegiance to the Flag.

The roll was called. All members were present except Representatives C. Belcher, Bratcher, Brinkman, Comer, Couch, Damron, Dedman, Draud, Edmonds, Farmer, Ford, Gooch, Hoover, Jenkins, Kerr, Marzian, Mobley, Montell, Moore, Napier, Osborne, Riggs, B. Smith, Stacy, Stein, Stewart, Tilley, Upchurch, Vincent, and Webb.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved that the reading of the Journal of August 22, 2007, be dispensed with and the same approved. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording on the next legislative day to do so if they have filed the proper papers with the clerk. Agreed.

Adjournment

Representative Adkins moved to adjourn until the hour of 10:00 a.m. on Friday, August 24, 2007.

On the roll call for adjournment the vote was: **Yeas 66, Nays 1.** (See August 23, 2007, roll call for adjournment - Appendix.)

The motion that the House adjourn until August 24, 2007, was adopted.

FRIDAY, AUGUST 24, 2007

FIFTH LEGISLATIVE DAY

The House was called to order by Speaker Richards.

Prayer was offered by Reverend Sandra Murphree, First United Methodist Church, Frankfort, Kentucky.

The Speaker led the members in the Pledge of Allegiance to the Flag.

The roll was called. All members were present except Representatives C. Belcher, Bell, Brinkman, Damron, Edmonds, Farmer, Gooch, Hoover, Marzian, Moore, Tilley, and Vincent.

Representative Ballard moved that the absent members be granted leave of absence in accordance with the rules of the House. Agreed.

Representative Ballard moved that the reading of the Journal of August 23, 2007, be dispensed with and the same approved. Agreed.

Representative Ballard moved to suspend the rules for the purpose of allowing members who want to be co-sponsors of bills and resolutions or to submit vote modifications for recording on the next legislative day to do so if they have filed the proper papers with the clerk. Agreed.

Representative Collins moved that the rules be suspended to grant floor privileges and to act on a Legislative Citation. Agreed.

Representative Collins moved the adoption of the following **Legislative Citation No. 11.**

The House of Representatives of the Commonwealth of Kentucky hereby recognizes and honors the members of the Johnson Central High School Future Problem Solving Team upon having won International Championship honors in the Senior Division Team Booklet competition at the 2007 Future Problem Solving International Conference held at Colorado State University. Inasmuch as this stellar FPS Team is comprised of members who have put forth tremendous dedication and hard work in this worthwhile endeavor and have upheld the firmly-established tradition of academic excellence at Johnson Central High School, the members of this honorable body are delighted to join Representative Hubert Collins in commending the accomplishments of all who have contributed to the success of this outstanding academic team and in extending best wishes for continued landmarks of success and good fortune. Done in Frankfort, Kentucky, the twenty-fourth day of August, in the year two thousand and seven.

Legislative Citation No. 11 was adopted without objection.

Representative DeWeese moved the adoption of the following **Legislative Citation No. 8.**

The House of Representatives of the Commonwealth of Kentucky hereby recognizes Evan Hoover and joins with Representative Bob M. DeWeese in extending this cherished young citizen, the beloved daughter of our esteemed colleague Jeffrey Hoover, and his wife, Karyn Hoover, warmest wishes for a speedy recovery. Further, it is our sincere hope that she and her family will soon have their lives returned to that wonderful state called normal and that this time of tribulation will remain only as a faint memory. Done in Frankfort, Kentucky, this twenty-second day of August, in the year two thousand and seven.

Legislative Citation No. 8 was adopted without objection.

Introduction of Bills and Resolutions

HR 11, by Representative Nelson: A RESOLUTION adjourning the House of Representatives in loving memory and honor of Hazel King.

HR 13, by Representative Edmonds: A RESOLUTION adjourning the House of Representatives in loving memory and honor of Fremon Saylor.

HR 14, by Representative Riner: A RESOLUTION adjourning the Kentucky House of Representatives in honor of the more than 2,400 Kentucky National Guardsmen and Reservists currently serving in Iraq and Afghanistan and the 1.6 million members of the Armed forces that have served in the Global War on Terror, including the 230,000 veterans of the ongoing wars in Iraq and Afghanistan that have already sought medical care from the Veterans Administration..

HR 15, by Representative Graham: A RESOLUTION adjourning the House of Representatives in loving memory and honor of David Yandell Taylor.

Motions, Petitions, and Communications

Representative Adkins moved to suspend the rules to act on Resolutions. Agreed.

Representative Adkins moved the adoption of the following **HR 4**:

HR 4, A RESOLUTION adjourning the House of Representatives in loving memory and honor of John Paul Blevins.

WHEREAS, John Paul Blevins departed this life on July 22, 2007, at the age of 65, and was the son of Hazel Nunn Newton and the late Howard Blevins; and

WHEREAS, Mr. Blevins was an outstanding basketball player for Metcalfe County High School and later played for Western Kentucky University and Cumberland College. His passion for the game was enhanced when his son played for the University of Kentucky Wildcats; and

WHEREAS, Mr. Blevins was a gifted speaker and writer and was respected for his graciousness and great memory. His early teachers recognized his special traits and encouraged him to pursue his childhood dream to become an attorney. After studying at Western Kentucky University and Cumberland College, Mr. Blevins attended the University of Kentucky Law School. He began his law practice in Edmonton in 1967 and was later appointed to fill the unexpired term of Metcalfe County Attorney Tom Emberton, who resigned to assume a position in the Administration of Governor Louie B. Nunn. In 1970, Mr. Blevins was elected to his first term as County Attorney, and he went on to become the first individual elected to nine consecutive terms in the same public office since Metcalfe became a county in 1860. He witnessed many changes in the court system during his 34 years of service as Metcalfe County Attorney. Mr. Blevins served with utmost integrity, professionalism, and fairness, showing no distinction based on political affiliation, gender, race, or social status; and

WHEREAS, Mr. Blevins worked for the betterment of his community and was a founding member of the Metcalfe County Nursing Home, a cofounder of 911 Dispatch, a past president of the Edmonton-Metcalfe County Industrial Authority, a member of the committee responsible for obtaining the Metcalfe County Public Library, and a member of the committee that helped finance, design, and construct the Metcalfe County Judicial Center. Mr. Blevins was also a devout member of the Edmonton Baptist Church;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives acknowledges the large void left in Metcalfe County and expresses its deepest sympathy upon the passing of John Paul Blevins to his beloved wife, Martha Forbes Blevins; his mother, Hazel Nunn Newton; his three sons, David Garmon, John Forbes, and J. P. Blevins; his three grandchildren, John Paul, Marlie, and Ann Porter Blevins; his other family members; his friends; and the residents of Edmonton and Metcalfe County.

Section 2. When the House of Representatives adjourns this day, it does so in loving memory and honor of John Paul Blevins.

Section 3. The Clerk of the House of Representatives is hereby directed to transmit a copy of this Resolution to Martha Forbes Blevins, Skyline Drive, Edmonton, Kentucky 42129.

There being no objection, **HR 4** was adopted.

Representative Adkins moved the adoption of the following **HR 6**:

HR 6, A RESOLUTION expressing condolences to the families of the coal miners trapped or injured in the August 6, 2007, roof collapse at the Crandall Canyon mine and to the rescue workers who lost their lives or were injured in a brave attempt to rescue them.

WHEREAS, on Monday, August 6, 2007, a roof collapse at the Crandall Canyon mine near Huntington, Utah trapped six miners more than 1,500 feet below the surface of the mine; and

WHEREAS, no one yet knows the exact condition of the miners trapped underground; however, hope remains as vital today as it did during the first few moments after the tragic roof collapse; and

WHEREAS, the mine's impassable, unstable conditions, along with constant seismic movements, have obstructed all attempts to reach the miners; and

WHEREAS, rescue workers, believing to know the exact location of the trapped miners, began a series of attempts to drill to the location and to clear obstructed tunnels; and

WHEREAS, understanding how dangerous the conditions were, rescue workers continued clearing debris from tunnels to move further down into the mine; and

WHEREAS, on Friday, August 17, 2007, a "mountain bump" caused the pillars to burst onto six rescue workers, collapsing the tunnel and raining rock and debris down on the rescue workers; and

WHEREAS, the bravery of the three rescue workers killed and others injured after the mountain bump is a testament to the selflessness of the human spirit in the face of personal danger; and

WHEREAS, as the fate of the miners dims and all are resigned to the sorrowful fate of the fallen rescue workers, we look toward sustaining the families and the community which forms their home, their life, and their future; and

WHEREAS, today they grieve, the world grieves with them;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives hereby offers prayers of sympathy and expresses its deepest condolences to the families and the victims of the Crandall Canyon disaster.

Section 2. The Clerk of the House of Representatives shall transmit copy of this Resolution to Governor Jon M. Huntsman Jr., State Capitol Complex, East Office Building, Suite E220, P.O. Box 142220, Salt Lake City, UT 84114-2220.

There being no objection, **HR 6** was adopted.

Representative Adkins moved the adoption of the following **HR 7**:

HR 7, A RESOLUTION adjourning the House of Representatives in honor of Hopkins County Jailer Joe Blue for his innovative plan to save public funds and feed inmates at the Hopkins County Detention Center and others.

WHEREAS, Joe Blue has served his community admirably in the field of law enforcement and corrections since 1988; and has served the citizens of Hopkins County as Jailer since September, 2005; and

WHEREAS, the increasing fiscal pressures of housing and feeding inmates nutritious meals and returning them to society as productive citizens on a tight budget has become increasingly difficult to corrections officials across the Commonwealth and across the nation; and

WHEREAS, Mr. Blue implemented in 2006 a jail garden program at the Hopkins County Detention Center, allowing inmates to grow cucumbers, zucchini, squash, corn, tomatoes, and other fresh produce on an acre of land near the jail. In its first year, the program, one of only three in Kentucky, produced more than 1,000 pounds of nutritious food for inmates far more cheaply than it could have been purchased. Mr. Blue expanded the program in 2007, increasing the available land by 50 percent and increasing the yield as well; and

WHEREAS, the program has become such an overwhelming success that it produces more food than the inmates can consume; and Mr. Blue has worked with the Senior Citizens Center of Hopkins County and the Salvation Army to provide nutritious meals to the elderly and needy; and

WHEREAS, the jail garden program has produced the fortuitous side effect of teaching inmates job skills in the garden and in the kitchen that will enable them to contribute to society in a productive manner when they have served their sentences; and

WHEREAS, Mr. Blue is to be commended and lauded for his ingenuity and effectiveness as Hopkins County Jailer;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives does hereby applaud the innovation, creativity, and attention to fiscal prudence shown by Hopkins County Jailer Joe Blue by his implementation of a vegetable garden at the Hopkins County Detention Center.

Section 2. When the House of Representatives adjourns this day, it does so in honor of Hopkins County Jailer Joe Blue.

Section 3. The Clerk of the House of Representatives is directed to transmit a copy of this Resolution to Hopkins County Jailer Joe Blue, 2250 Lafoon Trail, Madisonville, Kentucky 42431.

There being no objection, **HR 7** was adopted.

Representative Adkins moved the adoption of the following **HR 11**:

HR 11, A RESOLUTION adjourning the House of Representatives in loving memory and honor of Hazel King.

With deepest respect and admiration, we pay homage and tribute to Hazel King, and we pause in silent reverence for her soul.

WHEREAS, Hazel King was born on September 21, 1919, a native daughter of the Commonwealth and a resident of Louellen, in Harlan County, Kentucky, and traversed these earthly bounds on June 20, 2007; and

WHEREAS, Hazel King proudly retired after 21 years of service as a member of both the United States Army and the United States Air Force, having enjoyed tours in Paris, France; Rome, Italy; India; Egypt; and Hawaii; and

WHEREAS, Hazel King later in life devoted much of her time and energy to fighting strip mining, which she believed to be a reckless act of man that was destroying the mountains that she so loved; and

WHEREAS, Hazel King is remembered by many as a fearless, courageous, and selfless voice for the land and people of

the coal fields throughout the years before and after the enactment of the Federal Mine Safety and Health Act of 1977; and

WHEREAS, Hazel King was responsible for filing the citizen complaint that resulted in the first federal cessation order issued under the 1977 Act against a mining operation, and she was also responsible for hundreds of other enforcement orders; and

WHEREAS, Hazel King was the voice that demanded accountability from the mining operations and from state and federal regulators on behalf of community leaders and miners concerned with problems at specific mining operations; and

WHEREAS, Hazel King participated in weekly meetings at the Cloverfork Organization to Protect the Environment in the late 1970's in Louellen and hearings in Frankfort, London, and Washington, D.C.; and

WHEREAS, Hazel King also proudly participated in mine safety rallies in Knoxville, Tennessee and at the memorial for the Buffalo Creek disaster; and

WHEREAS, Hazel King was recognized nationally in 1997 with a Community Involvement Award from the Federal Office of Surface Mining on the 20th anniversary of the Federal Mine Safety and Health Act of 1977; and

WHEREAS, Hazel King grounded her dedication as a community activist in a deeply personal, Christian faith-inspired love of the mountains and through this dedication, she became an inspiration to many of those who shared her anger and sadness at the destruction of the land by strip mining; and

WHEREAS, Hazel King is immediately survived by a special nephew, Jerry Wynn; a brother, Jack King; and three sisters, Florence Wynn, Grace Howe, and Joyce Ann Polson; and

WHEREAS, Hazel King was preceded in death by her loving parents, William King and Rachel Witt Parker King; and five siblings, Jerry King, Fred King, Arnold King, Robert King, and Nettie Scott; and

WHEREAS, the passing of Hazel King has left a void that cannot be filled, and she is mourned across the length and breadth of the Commonwealth;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives does hereby express its profound sense of sorrow upon the passing of Hazel King, and extends to her family and friends its most heartfelt sympathy.

Section 2. The House of Representatives recognizes that Hazel King was deeply devoted to the betterment of her community, and the members further acknowledge her brave and faithful service to this country and Commonwealth as a member of both the United States Army and the United States Air Force.

Section 3. When the House of Representatives adjourns this day, it does so in loving memory and honor of Hazel King.

There being no objection, **HR 11** was adopted.

Representative Adkins moved the adoption of the following **HR 14**:

HR 14, A RESOLUTION adjourning the Kentucky House of Representatives in honor of the more than 2,400 Kentucky National Guardsmen and Reservists currently serving in Iraq and Afghanistan and the 1.6 million members of the Armed Forces that have served in the Global War on Terror, including the 230,000 veterans of the ongoing wars in Iraq and Afghanistan that have already sought medical care from the Veterans Administration.

WHEREAS, there are approximately 24.5 million military veterans in the United States today; and

WHEREAS, approximately 1.6 million members of the Armed Forces have served in Operation Enduring Freedom and Operation Iraqi Freedom; and

WHEREAS, the United States Department of Veterans Affairs estimates that 686,000 of the service members who were deployed in Iraq and Afghanistan are now veterans who are eligible for Veterans Administration health care; and

WHEREAS, more than 150,000 members of the Armed Forces of the United States are currently serving in Iraq and Afghanistan; and

WHEREAS, the Global War on Terror produces more military veterans every day who are in need of a wide range of health-care services; and

WHEREAS, the brave veterans of the United States Armed Forces deserve the best available health care in response to the sacrifices they have made on behalf of the citizens of this country; and

WHEREAS, the Veterans Administration health-care system has failed to meet the needs of America's wounded veterans, as the adjudication system is currently mired in a processing backlog of over 600,000 claims, many of which have been pending for years; and

WHEREAS, there are approximately 1,000 pending Veterans Administration claims in Jefferson County, Kentucky; and

WHEREAS, there are approximately 6,200 pending Veterans Administration claims throughout the Commonwealth of Kentucky; and

WHEREAS, the delays in processing Veterans Administration claims have become an insurmountable barrier preventing many military veterans from obtaining adequate health care and other benefits; and

WHEREAS, veterans' organizations, such as Veterans for Common Sense and Veterans United for Truth, should be commended for bringing the American people's attention to the failures of the United States Department of Veterans Affairs and other governmental institutions in meeting our nation's legal and moral obligations to honor and care for the wounded military veterans who have valiantly served our country; and

WHEREAS, changes to the Veterans Administration will lower health-care system costs to our veterans, their families, and our nation, including the incalculable cost of more broken families, more unemployed and homeless veterans, increases in drug and alcohol abuse, and crushing burdens on the health-care delivery system and other social services in our communities; and

WHEREAS, a nine-member bipartisan panel, led by former Senator Bob Dole and Donna Shalala, Secretary of Health and Human Services during the Clinton Administration, has urged broad changes to the Veterans Administration health-care system that would provide more customized, personalized care to injured war veterans; and

WHEREAS, the recommendations of the bipartisan presidential commission would prevent many disabled veterans from getting lost in the federal health-care system and offer a means of coordinating services such as medical care, education, and disability benefits; and

WHEREAS, the recommendations of the bipartisan presidential commission would provide a better quality of life to injured war veterans and their loved ones by reducing the bureaucracy in obtaining veterans' care; and

WHEREAS, the United States Government must continue to demonstrate its dedication and commitment to the men and women of the Armed Forces, not only as they engage a determined enemy on the battlefield in the Global War on Terror, but also when these brave soldiers return home;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives hereby expresses its heartfelt appreciation to the brave men and women of the United States Armed Forces that have valiantly served in the Global War on Terror and to the bipartisan Commission on Care for America's Returning Wounded Warriors for addressing the critical medical needs of America's military veterans and striving to improve Veterans Administration medical care.

Section 2. The House of Representatives thanks citizens throughout the Commonwealth who are praying for the safety of the Homeland and for the more than 150,000 members of the Armed Forces of the United States currently serving in Iraq and Afghanistan.

Section 3. The House of Representatives commends United States Representative John Yarmuth for his continued efforts to ensure oversight of the administration's plan to care for returning soldiers and for demonstrating his steadfast commitment to providing our service men and women with the best possible care.

Section 4. The Clerk of the House of Representatives is hereby directed to transmit a copy of this Resolution to Congressman John Yarmuth; Dr. Robert Gates, United States Secretary of Defense; Jim Nicholson, United States Secretary of Veterans Affairs; Major General Donald Storm, Adjutant General of the Commonwealth of Kentucky; Major General Gregory John Hunt, Division Commander, 100th Division (Institutional Training); and Colonel Jeffrey R. Sanderson, Commander, 4th Brigade 85th Division Training Support.

There being no objection, **HR 14** was adopted.

Representative Graham moved that the rules be suspended to grant floor privileges and to the David Yandell Taylor family. Agreed.

Representative Graham moved the adoption of the following **HR 15**:

HR 15, A RESOLUTION adjourning the House of Representatives in loving memory and honor of David Yandell Taylor.

With deepest respect and admiration, we pay homage and tribute to David Yandell Taylor, and we pause in silent reverence for his soul.

WHEREAS, David Yandell Taylor was born on September 3, 1936, a resident of Frankfort, Kentucky, and traversed these earthly bounds on July 7, 2007; and

WHEREAS, David Yandell Taylor proudly served the Commonwealth for over 37 years in the Departments of Transportation and Education; and

WHEREAS, David Yandell Taylor was a graduate of Elkhorn High School and Georgetown College; and

WHEREAS, David Yandell Taylor was a member of Capital City Christian Church since 1972, where he faithfully served as an elder, deacon, and Bible school teacher; and

WHEREAS, David Yandell Taylor was deeply devoted to ministering to those in his community who were in need of food and temporary housing; and

WHEREAS, in 1985, David Yandell Taylor, along with many friends who all had a desire to feed the homeless they had seen in their community, founded the Coalition of Committed Christians, Incorporated to serve needy citizens of Frankfort, Kentucky; and

WHEREAS, since 1987, the Coalition of Committed Christians, Incorporated has been continually operating the Frankfort homeless shelter and food service program in the ACCESS facility located on Second Street in downtown Frankfort, Kentucky for coed local and transient homeless persons; and

WHEREAS, David Yandell Taylor faithfully served as a part of the Coalition of Committed Christians, Incorporated for 23 years as a founder, past president, vice president, and long-term executive director for the board of directors; and

WHEREAS, on September 1, 2007, as a tribute to the selfless dedication and tireless efforts of David Yandell Taylor to those less fortunate within his community, the ACCESS facility in Frankfort, Kentucky will be renamed the David Y. Taylor Building; and

WHEREAS, David Yandell Taylor was preceded in death by his parents, Urban S. Taylor and Ada Mae Rodgers; a sister, Jean Reeves; and a brother, Robert Taylor; and

WHEREAS, David Yandell Taylor is survived by his loving wife of more than 50 years, Nancy Hearn Taylor; and

WHEREAS, David Yandell Taylor is also survived by his four beloved children, David Michael Taylor, Kim Sutton, Lisa Mackey, and Robyn Kemper; and

WHEREAS, David Yandell Taylor was the proud and loving grandfather of 10 grandchildren and the great-grandfather of one great-grandchild; and

WHEREAS, the passing of David Yandell Taylor has left a void that cannot be filled, and he is mourned across the length and breadth of the Commonwealth;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives does hereby express its profound sense of sorrow upon the passing of David Yandell Taylor, and extends to his family and friends its most heartfelt sympathy.

Section 2. The House of Representatives recognizes that David Yandell Taylor made an extraordinary contribution to the betterment of his community through the founding of the Coalition of Committed Christians, Incorporated as a homeless shelter and food service program in Frankfort, Kentucky.

Section 3. When the House of Representatives adjourns this day, it does so in loving memory and honor of David Yandell Taylor.

There being no objection, **HR 15** was adopted.

Representative Adkins moved that the rules be suspended to act on Resolutions. Agreed.

Representative Adkins moved the adoption of the following **HR 13**:

HR 13, A RESOLUTION adjourning the House of Representatives in loving memory and honor of Fremon Saylor.

WHEREAS, Fremon Saylor was born May 3, 1933, in Garrard County, Kentucky, and was the son of Tim and Bessie Croucher Saylor; and

WHEREAS, Mr. Saylor was a licensed funeral director and embalmer for many years and was a co-owner of Justice and Saylor Funeral Home, in Booneville, Kentucky. He later bought Beattyville Concrete Block and Redi Mix Plant in Beattyville and ran a successful business; and

WHEREAS, Mr. Saylor unselfishly gave of his time and talents as a faithful supporter of WLJC Christian Television Ministries in Beattyville and was host for countless telethons for charitable causes. Mr. Saylor also dedicated himself to furthering the goals of the Masons and was a member of the Richmond Masonic Lodge 25, F & A.M.; and

WHEREAS, Mr. Saylor was a devout Christian, committed to serving his God, and was a member and deacon emeritus of Unity Baptist Church in Richmond, Kentucky; and

WHEREAS, Mr. Saylor departed this life on August 22, 2007, and has left a large void in the lives of his loved ones, friends, the many thousands of viewers of WLJC Christian Television Ministries, and the town of Beattyville; and

WHEREAS, this Honorable Body is mindful of the many kindnesses Mr. Saylor shared with others and remembers this, his favorite blessing:

May the sun always shine on your face.

May the wind blow ever so gently at your back.

And until we meet again,

May the Good Lord hold you tenderly in the palm of His hand.

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives expresses its most profound sorrow upon the passing of Fremon Saylor and extends deepest sympathy to his loving wife of 51 years, Ruth Cole Saylor, his daughter, Jennifer Howard; his sons, David and Sonny Saylor; his other family members; friends; and the residents of Beattyville.

Section 2. When the House of Representatives adjourns this day, it does so in loving memory and honor of Fremon Saylor.

Section 3. The Clerk of the House of Representatives is hereby directed to transmit a copy of this Resolution to Ruth Saylor, 103 Beaver Drive, Richmond, Kentucky 40475.

There being no objection, **HR 13** was adopted.

Representation Adkins moved that the rules be suspended to introduce and act on a Resolution. Agreed.

Introduction of Bills and Resolutions (Continued)

HR 12, by Representatives Owens and Richards: A RESOLUTION adjourning the House of Representatives in loving memory of the life and service of the honorable William E. McAnulty.

Motions, Petitions, and Communications (Continued)

Representative Owens moved the adoption of the following **HR 12:**

HR 12, A RESOLUTION adjourning the House of Representatives in loving memory of the life and service of the Honorable William E. McAnulty.

WHEREAS, the House of Representatives of the Commonwealth of Kentucky has received word of the passing of the Hon. William E. McAnulty, a Kentuckian of utmost integrity and extraordinary intelligence whose life exemplified the true meaning of public service; and this body feels his loss most deeply and wishes to express its profound respect for his life, service, and memory; and

WHEREAS, the Hon. William E. McAnulty first came into this world in Indianapolis, Indiana in 1947; and

WHEREAS, the Hon. William E. McAnulty received his bachelor's degree from Indiana University and his master's degree and juris doctor from the University of Louisville; and

WHEREAS, the Hon. William E. McAnulty entered into the practice of law in the Commonwealth of Kentucky, and proceeded through merit, dedication, and sheer hard work to break through barriers that stood in the path of the African-American citizens of this state, while at the same time maintaining a sense of personal warmth, approachability, friendship, affability, and humor that won him friends and admirers across the breadth of this great Commonwealth; and

WHEREAS, the life's work of the Hon. William E. McAnulty included service at all four levels in the Court of Justice, including his departure from the Chief Judgeship of the Jefferson County Circuit Court to break the color-barrier on the Kentucky Court of Appeals in 1988, and similarly becoming the first African-American Justice of the Supreme Court of Kentucky, first by appointment to that position by the Commonwealth's Chief Magistrate, and subsequently by the free and considered choice of the people of his district; and

WHEREAS, outside of elected office, the Hon. William E. McAnulty pursued countless opportunities to serve others in the community, including community-wide efforts such as chairing the Metro United Way, neighborhood-oriented activities such as coaching in the Buechel Little League, and mentoring and fostering the next generation through countless hours spent in service at the University of Louisville Brandeis School of Law; and

WHEREAS, the passing of the Hon. William E. McAnulty leaves behind those who feel his loss most deeply, including his beloved wife, Kristi, and their two children, William III and Shannon, as well as his two children from a prior marriage, Patrick and Katheryn; and

WHEREAS, the passing of the Hon. William E. McAnulty has left a void that cannot be filled, and he is mourned across the length and breadth of the Commonwealth;

NOW, THEREFORE,

Be it resolved by the House of Representatives of the General Assembly of the Commonwealth of Kentucky:

Section 1. The House of Representatives does hereby express its profound sense of sorrow upon the passing of the Hon. William E. McAnulty and extends to his family and many friends its most heartfelt sympathy.

Section 2. When the House of Representatives adjourns this day, it does so in loving memory and honor of the Hon. William E. McAnulty.

Section 3. The Clerk of the House of Representatives is hereby directed to transmit copies of this Resolution to the Hon. Kristi McAnulty, 2112 Strathmoor Boulevard, Louisville, Kentucky 40205.

There being no objection, **HR 12** was adopted.

The roll call was opened for co-sponsors. On the roll call for co-sponsors of **HR 12** the vote was: **Yeas 87**. (See August 24, 2007, roll call to show co-sponsors on **HR 12**-Appendix.)

Representative Adkins moved that the rules be suspended to act on **Legislative Citation Nos. 3, 4, 6, 7, 8, 9, 10, 12,** and **13.** Agreed.

Representative Watkins moved the adoption of the following **Legislative Citation No. 13.**

The House of Representatives of the Commonwealth of Kentucky does hereby adjourn this legislative day in memory and honor of Raymond B. Preston of Henderson, Kentucky, and offers its sincerest condolences to all who share in the profound loss of this esteemed citizen on August 17, 2007. Educated at Alice B. Lloyd College, the University of Tennessee and what is now Western Kentucky University, from which he graduated with a B.S. Degree in Chemistry; a successful businessman and philanthropist; the founding partner, and later, sole owner of PB&S Chemical Company; the majority owner and chairman of Ohio Valley Bank; owner of Ohio Valley Insurance Services and Kentucky Poppers, Raymond B. Preston was active in community organizations such as the Henderson Chamber of Commerce, United Way, Rotary Club, Community Methodist Hospital, Western Kentucky University, Henderson Community College and St. Paul's Episcopal Church and generously supported educational, health, arts and community projects through the Raymond B. Preston Family Foundation, including donating several million dollars toward the Raymond B. Preston Health and Activities Center, the Hattie L. Preston Intramural Sports Complex, the Preston Family Foundation Acquired Brain Injury Program and the Raymond B. Preston Computer Lab. Survived by his loving wife, Hattie Louise Paff Preston; beloved children, Viki Brigham, Connie Walaskay, Charlotte Critser, Leigh Preston and Kent Preston; ten cherished grandchildren and six great-grandchildren; and, a host of other family members, colleagues, friends and loved ones, the members of this honorable body respectfully join with Representative David A. Watkins in honoring the memory of Raymond B. Preston's phenomenal life and in extending the hope that all those who knew and loved him will find solace and peace as they mourn his passing. Done in Frankfort, Kentucky, this twenty-fourth day of August, in the year two thousand and seven.

Legislative Citation No. 13 was adopted without objection.

Representative Watkins moved the adoption of the following **Legislative Citation No. 12.**

The House of Representatives of the Commonwealth of Kentucky does hereby adjourn this legislative day in memory and honor of Thelma Berry Midgett Watkins of Henderson, Kentucky, and offers its sincerest condolences to all who share in the profound loss of this esteemed citizen on August 16, 2007. A faithful attendee of the First Christian Church; a former employee of Peabody Coal Company and her husband's photography studio; and a loving wife and mother, she was an extremely hard working, loving, kind, and courageous individual. She is survived by her loving and devoted husband of twenty-three years, Darrell Watkins; beloved children, Kim Bumpus, Jodie Brackett, Amy Blades, Tim Midgett and Jay Watkins; ten cherished grandchildren; and, a host of other family members, friends and loved ones. The members of this honorable body respectfully join with Representative David A. Watkins in honoring the memory of Thelma Berry Midgett Watkins' life and in extending the hope that all those who knew and loved her dearly will find solace and peace as they mourn her passing. Done in Frankfort, Kentucky, this twenty-fourth day of August, in the year two thousand and seven.

Legislative Citation No. 12 was adopted without objection.

Representative Kerr moved the adoption of the following **Legislative Citation No. 10.**

The House of Representatives of the Commonwealth of Kentucky hereby recognizes and honors the City of Taylor Mill as officials, public servants, dignitaries and citizens gather on August 25, 2007, to celebrate its 50th Anniversary. Incorporated in 1957 and tracing its settlement back to the late eighteenth century--several years after Kentucky's admission to the Union--this

rural community, built upon lands initially traded by the Six Nations of Indians and the Delaware, Shawnee and Mingo tribes to King George, is blessed with a rich history of citizens with bedrock American values, exemplary work ethics, and a strong sense of civic pride. Additionally, using this auspicious occasion to recognize and pay tribute to all those citizens who have, throughout the city's strategic and well-planned development, made outstanding contributions to the betterment of the community, members of this august body are delighted to join Representative Thomas R. Kerr in expressing deepest gratitude to all those who have worked and continue to labor with great dedication and astute vision to insure the success of the City of Taylor Mill, Kentucky. Done in Frankfort, Kentucky, this twenty-third day of August, in the year two thousand and seven.

Legislative Citation No. 10 was adopted without objection.

Representative Baugh moved the adoption of the following **Legislative Citation No. 3.**

The House of Representatives of the Commonwealth of Kentucky does hereby adjourn this legislative day in loving memory and honor of Harry Covington, Jr. of Guthrie, Kentucky, and joins with Representative Sheldon Baugh in expressing deepest sympathy to the Covington Family and all who share in the profound loss of this highly esteemed citizen. Preceded in death by his parents, Harry and Arie Bell Shelton Covington; son, Harry Covington III; sisters, Elizabeth Pendleton, Lollie Combs and Evelyn Kimbrough; and brothers, Clarence, William Preston and Richard Covington, he is survived by his beloved wife of fifty-nine years, Mary Louise Fears Covington; daughters and son-in-law, Betty Lou Lewis and Helen and Ray Morris; brother, Bert Covington; grandchildren, Clay Lewis, Allison Lewis and Audra Morris; and, a host of other family members, friends and loved ones. This esteemed citizen, a 1936 graduate of Guthrie High School; an honorable United States Navy veteran of World War II who served in the Medical Battalion, Fifth Amphibious Corps as a medic's assistant during the invasions of Saipan and Iwo Jima; a man who enjoyed farming and working as a self-employed businessman who had owned and operated tourist courts, motels and inns and, as a developer, built numerous houses and apartments; and, a visionary and involved civic leader whose generosity and life of accomplishment has served as an outstanding example of good citizenship, is remembered on this day for the many lasting and generous contributions he made to his family, friends and the community. Henry Covington, Jr., "Mr. Todd County," will be deeply missed by all those whose lives were touched by his most remarkable presence. Done in Frankfort, Kentucky, this twenty-first day of August, in the year two thousand and seven.

Legislative Citation No. 3 was adopted without objection.

Representative Gray moved the adoption of the following **Legislative Citation No. 9.**

The House of Representatives of the Commonwealth of Kentucky hereby recognizes and honors Ashli Schmidt for the competence and skill with which she has served the members of the Kentucky General Assembly as a valued Committee Assistant with the Labor & Industry Committee of the Legislative Research Commission. A consummate professional whose conscientious work ethic has been deeply appreciated by all who have benefited from her capable service, this esteemed honoree has earned the admiration and respect of her peers and those she has served and for whom she has shone forth as an integral element of support. Ashli was a member of the 2004 LRC Intern Class assigned to the Director's Office and House Clerk Services. During that time, she developed extensive knowledge of the intricacies of the legislative process, and in so doing, she developed a deep appreciation and passion for not only the legislative process, but also for the agency and LRC staff. In her tenure and different roles at LRC, Ashli was a wonderful ambassador for the agency, and though not in an official capacity, Ashli's mentoring and involvement with the interns who followed her, have enhanced the success of that wonderful program. The members of this honorable body are delighted to join with Representative J.R. Gray in commending Ashli Schmidt for the dedication she has put forth throughout her time with the agency and the Labor & Industry Committee; in expressing deepest appreciation and gratitude for her contributions to the legislative process within the Commonwealth of Kentucky; and in extending warmest wishes for the utmost success as she departs from the Legislative Research Commission to accept a position with the Kentucky Bar Association. Done in Frankfort, Kentucky, this twenty-third day of August, in the year two thousand and seven.

Legislative Citation No. 9 was adopted without objection.

Representative Weston moved the adoption of the following **Legislative Citation No. 6.**

The House of Representatives of the Commonwealth of Kentucky hereby pays tribute to the memory of Marine Lance Corporal Robert A. "Robbie" Lynch and solemnly joins with Representative Ron Weston in expressing profound sympathy to the Lynch Family and all those who share in the tragic loss of this outstanding young man, a member of United States Marine Corps who had been assigned to the 1st Battalion, 12th Marine Regiment, 3rd Marine Division, III Marine Expeditionary Force in Okinawa, Japan, and died while on patrol in the Diyala province in Iraq, on July 24, 2007, and in saluting this exceptional individual for both the courage he exhibited and the sacrifices he made while serving his fellow man in support of this nation's ongoing military operations to defend freedom and stem the tide of terrorism. This brave soldier, a 20-year old native of Louisville, Kentucky, and 2005 graduate of Seneca High School where he had been a member of the Marine ROTC, is survived by his parents, Angela R. Robinson and Mike A. Lynch, Jr.; siblings, Melissa Lynch, Candace Lynch, Joey Lynch, Michael Lynch and Randall Thompson;

grandmother, Ida Lynch; nephews, Matthew Kundert and Jamey Kundert; and, a host of other family members, fellow members of the military, friends and loved ones. It is with solemn pride and deepest sorrow that this distinguished body pays tribute to the memory of Lance Corporal Robert A. Lynch, a valiant young soldier who made the supreme sacrifice as a courageous member of the United States Armed Forces and a most-honored Kentucky citizen. Done in Frankfort, Kentucky, this thirtieth day of July, in the year two thousand and seven.

Legislative Citation No. 6 was adopted without objection. Done in Frankfort,

Representative Wuchner moved the adoption of the following **Legislative Citation No. 7.**

The House of Representatives of the Commonwealth of Kentucky hereby pays tribute to CH Sammyshine as this phenomenal Champion Five-Gaited Pony/Horse, "the winningest Five-Gaited Saddlebred Pony in History," who is being retired this year at age 17, and was recognized and honored on August 23, 2007, during the World Championship Horse Show at the 2007 Kentucky State Fair. CH Sammyshine, the 2005 People's Choice Five-Gaited Pony (Riders 14-17); the UPHA Five-Gaited Pony, Horse of the Year in 2005, 2004, 2003, 2001, 2000 and 1999; was the 2006 winner of this sport's triple crown--another World Championship in Louisville, both Championships at the American Royal in Kansas City, and both his class and the Championship at the Junior League Show at the Red Mile in Lexington. By Grape Tree's Kentuckiana and Arrowhead Chief and originally named Chief's Kentucky Colonel, he was renamed Sammyshine in honor of his initial trainer, Sam Stafford. Purchased in 1999 by Jeff and Cathie Simmons for their daughter, Cydni, the extraordinary team of Sammyshine and Cyd went on to win six world championship blues and tricolors, with Cyd having been honored for her outstanding performance at the Saddle Seat Equitation World Invitational in the Republic of South Africa that resulted in this talented equestrienne capturing the gold medal as a member of the United States Five-Gaited Saddlebred Team. Inasmuch as CH Sammyshine has served as an outstanding ambassador of the Commonwealth of Kentucky, the members of this august body are delighted to join Representative Addia K. Wuchner in applauding and celebrating this day in honor of this well-deserving champion. Done in Frankfort, Kentucky, this twenty-fourth day of August, in the year two thousand and seven.

Legislative Citation No. 7 was adopted without objection.

Representative Baugh moved the adoption of the following **Legislative Citation No. 4.**

The House of Representatives of the Commonwealth of Kentucky does hereby adjourn this legislative day in loving memory and honor of CPL Joshua Moore and solemnly joins with Representative Sheldon Baugh in expressing profound sympathy to the Moore Family and all those who share in the tragic loss of this outstanding young man and member of the 1st Battalion, 18th Infantry Regiment, 2nd Brigade Combat Team, 1st Infantry Division, United States Army--Logan County's first casualty of the ongoing war in Iraq--who died in an explosion which occurred when the HumVee he was driving in southern Baghdad ran over an IED pressure switch on May 30, 2007. Further, this body salutes this exceptional young man, who was on his second tour of duty at the time of his passing, for both the courage he exhibited and the sacrifices he made while serving his fellow man in support of this nation's ongoing military operations to defend freedom and stem the tide of terrorism. A native of Lewisburg, Kentucky, who was preceded in death by his maternal grandfather, Henry Rose, and his paternal grandmother, Barbara Knight, Josh Moore leaves behind his loving parents, Carolyn Rose Moore and Jeff "Seymore" Moore; sisters, Ashley Moore and Carrie Cantarelli; brother, Richard Pierce; maternal grandmother, Jeanette Rose; paternal grandfather, David Knight; his girlfriend, Amber Miles; and, a host of other family members, fellow members of the military, friends and loved ones. It is with solemn pride and deepest sorrow that this distinguished body pays tribute to the memory of Corporal Joshua McKay Moore, a valiant young soldier described as "an All-American kid who loved God, his family, his friends and his country," and who made the supreme sacrifice as a courageous member of the United States Army and a most-honored Kentuckian. Done in Frankfort, Kentucky, this twenty-first day of August, in the year two thousand and seven.

Legislative Citation No. 4 was adopted without objection.

Representative Adkins moved to suspend the rules to allow the House to recess until 12:00 noon. Agreed.

Recess

At the appointed hour, the Speaker resumed the Chair and called the House to order.

Representative Adkins moved to suspend the rules to allow the House to recess until 1:00 p.m. Agreed.

Recess

At the appointed hour, the Speaker resumed the Chair and called the House to order.

Senate Message

Announcing passage of **HB 1** and **HCR 10**. (12:58 p.m.)

Report On Enrolled Bills

The Committee on Enrollment reported that **HB 1** has been examined and found correctly enrolled. Said Bill was read at length, compared and signed in open session by the Speaker, and ordered delivered to the Senate. (Time -1:43 p.m.)

Representative Adkins moved to suspend the rules to allow the House to recess. Agreed.

Recess

At the appointed hour, the Speaker resumed the Chair and called the House to order.

Representative Adkins moved that the rules be suspended and that when the House does adjourn, it adjourns Sine Die until Tuesday, January 8, 2008, unless called into extraordinary session by the Governor. Agreed.

Representative Adkins moved that the reading of the Journal of today, August 24, 2007, be dispensed with and the same be approved. Agreed.

Representative Adkins moved that the reading of the Journal for the 2007 Second Extraordinary Session be dispensed with and the same be approved. Agreed.

Adjournment

Representative Adkins moved that the House adjourn sine die until 12:00 noon, Tuesday, January 8, 2008, unless otherwise called into extraordinary session by the Governor.

On the roll call for adjournment the vote was: **Yeas 78, Nays 0**. (See August 24, 2007, roll call for adjournment - Appendix.)

The House adjourned sine die until 12:00 noon, Tuesday, January 8, 2008, unless otherwise called into extraordinary session by the Governor.

APPENDIX A

2007 SECOND EXTRAORDINARY SESSION

LIST OF HOUSE MEMBERSHIP

47th District
Rick W. Rand
P.O. Box 273
Bedford, KY 40006

48th District
Bob M. DeWeese
6206 Glenhill Road
Louisville, KY 40222

49th District
Larry Belcher
4804 Hickory Hollow Lane
Shepherdsville, KY 40165

50th District
David W. Floyd
102 Maywood Avenue
Bardstown, KY 40004

51st District
Russ Mobley
900 Holly Street
Campbellsville, KY 42718

52nd District
Ken Upchurch
P.O. Box 991
Monticello, KY 42633

53rd District
James R. Comer, Jr.
P. O. Box 338
Tompkinsville, KY 42167

54th District
Mike Harmon
P.O. Box 458
Junction City, KY 40440

55th District
W. Milward Dedman, Jr.
300 South Chiles
Harrodsburg, KY 40330

56th District
Carl Rollins II
P. O. Box 424
Midway, KY 40347

57th District
Derrick W. Graham
702 Capitol Ave.
Capital Annex Building, RM 329J
Frankfort, KY 40601

58th District
Brad Montell
543 Main Street
P.O. Box 1016
Shelbyville, KY 40065

59th District
David Osborne
P. O. Box 8
Prospect, KY 40059

60th District
Sal Santoro
596 Walterlot Court
Florence, KY 41042

61st District
Royce W. Adams
580 Bannister Road
Dry Ridge, KY 41035

62nd District
Charlie Hoffman
406 Bourbon Street
Georgetown, KY 40324

63rd District
Jon E. Draud
3081 Lyndale Court
Edgewood, KY 41017

64th District
Thomas Robert Kerr
5415 Old Taylor Mill
Taylor Mill, KY 41015

65th District
Arnold R. Simpson
28 West 5th Street
Covington, KY 41011

66th District
Addia Kathryn Wuchner
P.O. Box 911
Burlington, KY 41005

67th District
Dennis Keene
1040 Johns Hill Road
Wilder, KY 41076

68th District
Joseph M. Fischer
126 Dixie Place
Ft. Thomas, KY 41075

69th District
Adam Koenig
3346 Canterbury Court
Erlanger, KY 41018

70th District
Mitchel B. "Mike" Denham, Jr.
306 Old Hill City Road
Maysville, KY 41056

71st District
John Will Stacy
P.O. Box 135
West Liberty, KY 41472

72nd District
Carolyn Belcher
51 Blevins Valley Road
Owingsville, KY 40360

73rd District
Don Pasley
5805 Ecton Road
Winchester, KY 40391

74th District
Richard Henderson
60 Myers Cemetery Road
Jeffersonville, KY 40337

75th District
Kathy W. Stein
364 Transylvania Park
Lexington, KY 40508

76th District
Ruth Ann Palumbo
10 Deepwood Drive
Lexington, KY 40505

77th District
Jesse Crenshaw
121 Constitution Street
Lexington, KY 40507

78th District
Thomas M. McKee
1053 Cook Road
Cynthiana, KY 41031

79th District
Susan Westrom
P.O. Box 22778
Lexington, KY 40522

80th District
Danny R. Ford
P.O. Box 1245
Mt. Vernon, KY 40456

81st District
Harry Moberly, Jr.
P.O. Box 721
Richmond, KY 40475

82nd District
Charles L. Siler
3570 Tackett Creek Road
Williamsburg, KY 40769

83rd District
Jeffrey Hoover
P.O. Box 985
Jamestown, KY 42629

84th District
Brandon D. Smith
350 Kentucky Blvd.
Hazard, KY 41701

85th District
Tommy Turner
175 Clifty Grove Church Rd.
Somerset, KY 42501

86th District
Jim Stewart, III
141 KY 223
Flat Lick, KY 40935

87th District
Rick G. Nelson
Route 3, Box 686
Middlesboro, KY 40965

88th District
Bill Farmer
3361 Squire Oak Drive
Lexington, KY 40515

89th District
Marie L. Rader
P.O. Box 323
McKee, KY 40447

90th District
Tim Couch
P.O. Box 710
Hyden, KY 41749

91st District
Ted "Teddy" Edmonds
1257 Beattyville Road
Jackson, KY 41339

92nd District
Ancel Smith
1812 Wiley Fork Road
LeBurn, KY 41831

93rd District
W. Keith Hall
P.O. Box 466
Phelps, KY 41553

94th District
Leslie Combs
245 E. Cedar Drive
Pikeville, KY 41501

95th District
Brandon Spencer
135 Calf Branch
Prestonsburg, KY 41653

96th District
Robin L. Webb
404 W. Main Street
Grayson, KY 41143

97th District
Hubert Collins
72 Collins Lane
Wittensville, KY 41274

98th District
Tanya Pullin
1026 Johnson Lane
South Shore, KY 41175

99th District
Rocky Adkins
P.O. Box 688
Sandy Hook, KY 41171

100th District
John Vincent
P.O. Box 2528
Ashland, KY 41105

APPENDIX B

2007 SECOND EXTRAORDINARY SESSION

HISTORY OF ACTION TABLES

Appendix B--History of House Bills in the House
2007 Second Extraordinary Session

Numbers refer to page of House Journal. The text of a bill is given on first reading.
*Voting modifications are listed after the roll call vote - Appendix C.

Bill No.	Into-duced	Re-ferred	Re-ported	Readings			Sub or Amend	Voting*	Senate Message	Concur Activities	Enrolled (Del. to Gov.)	Other Action
				1st	2nd	3rd						
HB 1	34		35, 77	35	77	120	77, 117, 121	120	135		135	76, 117

Appendix B--History of House Resolutions in the House
2007 Second Extraordinary Session

Numbers refer to page of House Journal. The text of a concurrent or joint resolution is given on first reading.
The text of a simple resolution is given on its adoption.
*Voting modifications are listed after the roll call vote - Appendix C.

There were no Senate Bills or Senate resolutions introduced or recieved in the House.

Bill No.	Intro-duced	Re-ferred	Re-ported	Readings			Sub or Amend	Voting*	Senate Message	Concur Activities	Enrolled (Del. to Gov.)	Other Action
				1st	2nd	3rd						
HR 1	34							34				34
HR 2	34							34				34
HR 3	74							75				
HR 4	74							126				
HR 5	74							74				
HR 6	74							126				117, 122
HR 7	77							127				122
HR 8	119											
HR 9	119											
HCR 10	119							121	135			
HR 11	125							127				
HR 12	131							131				132
HR 13	125							130				
HR 14	125							128				
HR 15	125							129				

APPENDIX C

2007 SECOND EXTRAORDINARY SESSION

HOUSE ROLL CALLS

HB 1 Pass (Aug 22) Yeas 87—Adams, Adkins, J. Arnold, Ballard, Baugh, L. Belcher, Bell, Bratcher, Brinkman, Cherry, L. Clark, Collins, Combs, Comer, Couch, Crenshaw, Crimm, Damron, Decesare, Dedman, Denham, Deweese, Dossett, Draud, Edmonds, Embry, Farmer, Firkins, Fischer, Ford, Glenn, Gooch, Graham, Gray, Greer, Hall, Harmon, Henderson, Henley, Hoffman, Horlander, Jenkins, Keene, Kerr, Koenig, J. Lee, S. Lee, Mckee, Miller, Moberly, Mobley, Montell, Napier, Nelson, Nesler, Osborne, Owens, Pasley, Pullin, Rader, Rand, Rasche, Richards, Riggs, Rollins, Rudy, Santoro, Siler, Simpson, Sims, A Smith, B Smith, Spencer, Stacy, Stewart, Thompson, Tilley, Turner, Upchurch, Vincent, Watkins, Webb, Weston, Westrom, Wilkey, Wuchner, Yonts. **Nays 10**—C. Belcher, Burch, Floyd, Higdon, Marzian, Meeks, Palumbo, Riner, Stein, Wayne.

HCR 10 Pass (Aug 22) Yeas 97—Adams, Adkins, J. Arnold, Ballard, Baugh, C. Belcher, L. Belcher, Bell, Bratcher, Brinkman, Burch, Cherry, L. Clark, Collins, Combs, Comer, Couch, Crenshaw, Crimm, Damron, Decesare, Dedman, Denham, Deweese, Dossett, Draud, Edmonds, Embry, Farmer, Firkins, Fischer, Floyd, Ford, Glenn, Gooch, Graham, Gray, Greer, Hall, Harmon, Henderson, Henley, Higdon, Hoffman, Horlander, Jenkins, Keene, Kerr, Koenig, J. Lee, S. Lee, Marzian, Mckee, Meeks, Miller, Moberly, Mobley, Montell, Napier, Nelson, Nesler, Osborne, Owens, Palumbo, Pasley, Pullin, Rader, Rand, Rasche, Richards, Riggs, Riner, Rollins, Rudy, Santoro, Siler, Simpson, Sims, A Smith, B Smith, Spencer, Stacy, Stein, Stewart, Thompson, Tilley, Turner, Upchurch, Vincent, Watkins, Wayne, Webb, Weston, Westrom, Wilkey, Wuchner, Yonts. **Nays 0.**

HR 12 Co-Sponsor (Aug 24) Yeas 87—Adams, Adkins, J. Arnold, Ballard, Baugh, L. Belcher, Bell, Bratcher, Burch, D Butler, Cherry, L. Clark, Collins, Combs, Comer, Crenshaw, Crimm, Decesare, Dedman, Denham, Deweese, Dossett, Draud, Embry, Firkins, Fischer, Floyd, Ford, Glenn, Graham, Gray, Greer, Harmon, Henderson, Henley, Higdon, Hoffman, Horlander, Jenkins, Keene, Kerr, Koenig, J. Lee, S. Lee, Mckee, Meeks, Miller, Moberly, Mobley, Montell, Napier, Nelson, Nesler, Osborne, Owens, Pasley, Pullin, Rader, Rand, Rasche, Richards, Riggs, Riner, Rollins, Rudy, Santoro, Siler, Simpson, Sims, A Smith, B Smith, Spencer, Stacy, Stein, Stewart, Thompson, Tilley, Turner, Upchurch, Watkins, Wayne, Webb, Weston, Westrom, Wilkey, Wuchner, Yonts. **Nays 0.**

APPENDIX D

2007 SECOND EXTRAORDINARY SESSION

SPONSOR AND SUBJECT INDEX

BILLS BY SPONSOR INDEX

*Indicates the Legislator was the Primary Sponsor of a Bill or Resolution
(HJR means Joint Resolution; HCR means Concurrent Resolution; HR means Simple Resolution)

ADAMS, ROYCE W.
HR 12

ADKINS, ROCKY
HB 1*
HCR 10*
HR 1*, 2*, 12

ARNOLD JR, JOHN A.
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HR 6, 9*, 12

BALLARD, EDDIE
HB 1
HR 6, 7*, 12

BAUGH, SHELDON E.
HR 12

BELCHER, LARRY
HR 3*, 12

BELL, JOHNNY
HR 12

BRATCHER, KEVIN D.
HR 12

BURCH, TOM
HR 12

BUTLER, DWIGHT D.
HR 12

CHERRY, MIKE
HB 1
HR 12

CLARK, LARRY
HB 1
HR 12

COLLINS, HUBERT
HB 1
HR 6, 12

COMBS, LESLIE
HB 1
HR 6, 12

COMER JR, JAMES R.
HR 4*, 6, 12

COUCH, TIM
HB 1
HR 6*

CRENSHAW, JESSE
HR 12

CRIMM, RON
HR 12

DECESARE, JIM
HR 12

DEDMAN JR, MILWARD
HR 12

DENHAM, MIKE
HB 1
HR 12

DEWEESE, BOB M
HR 12

DOSSETT, MYRON
HR 12

DRAUD, JON
HR 5*, 12

EDMONDS, TED
HB 1
HR 13*

EMBRY JR, C. B.
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HR 6, 12

FIRKINS, TIM
HR 12

FISCHER, JOSEPH M.
HR 12

FLOYD, DAVID
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FORD, DANNY
HR 12

GLENN, JIM
HB 1
HR 12

GOOCH JR, JIM
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GRAHAM, DERRICK
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GRAY, J. R.
HR 12

GREER, JEFF
HR 12

HALL, KEITH
HB 1
HR 6

HARMON, MIKE
HB 1
HR 12

HENDERSON, RICHARD
HB 1
HR 12

HENLEY, MELVIN B.
HB 1
HR 12

HIGDON, JIMMY
HR 12

HOFFMAN, CHARLIE
HB 1
HR 12

HORLANDER, DENNIS
HR 12

JENKINS, JONI L.
HR 12

KEENE, DENNIS
HR 12

KERR, THOMAS
HR 12

KOENIG, ADAM
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LEE, JIMMIE
HR 12

LEE, STAN
HR 12

MCKEE, TOM
HB 1
HR 12

MEEKS, REGINALD
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MOBERLY JR, HARRY
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MOBLEY, RUSS
HR 12

MONTELL, BRAD
HR 12

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NELSON, RICK G.
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NESLER, FRED
HB 1
HR 12

OSBORNE, DAVID
HR 12

OWENS, DARRYL T.
HR 12*

PASLEY, DON
HR 12

PULLIN, TANYA
HR 12

RADER, MARIE
HR 12

RAND, RICK
HB 1
HR 12

RASCHE, FRANK
HR 12

RICHARDS, JODY
HB 1*
HR 12*

RIGGS, STEVE
HR 12
HB 1: HFA(5)

RINER, TOM
HR 12, 14*
HB 1: HFA(1), (2)

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RUDY, STEVEN
HR 12

SANTORO, SAL
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SILER, CHARLES
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SIMPSON, ARNOLD
HR 12

SIMS, DOTTIE
HR 12

SMITH, ANCEL
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HR 12

SMITH, BRANDON
HB 1
HR 12

SPENCER, BRANDON
HB 1
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STACY, JOHN WILL
HR 12

STEIN, KATHY W.
HR 12

STEWART III, JIM
HB 1
HR 12

THOMPSON, TOMMY
HB 1
HR 12

TILLEY, JOHN
HB 1
HR 12

TURNER, TOMMY
HR 12

UPCHURCH, KEN
HR 12

VINCENT, JOHN
HB 1

WATKINS, DAVID
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HR 12
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WEBB, ROBIN L.
HB 1
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WESTON, RON
HR 12

WESTROM, SUSAN
HR 12

WILKEY, ROB
HB 1
HR 12

WUCHNER, ADDIA
HR 12

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Energy research and development, funding - HB 1

Coal
Crandall Canyon Mine, families and victims, express condolences for - HR 6
Incentives for Energy Independence Act - HB 1

Commendations and Recognitions
Blue, Joe, Hopkins County Jailer, honoring - HR 7
United States Armed Forces, honoring - HR 14

Disasters
Crandall Canyon Mine, families and victims, express condolences for - HR 6

Economic Development
Incentives for Energy Independence Act - HB 1
Kentucky Alternative Fuel and Renewable Energy Fund and Program, establishment - HB 1

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Energy related occupations, student loan forgiveness program - HB 1

General Assembly
Adjournment, sine die - HCR 10
Pastors of Frankfort churches, extending invitation to - HR 2
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Memorials
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King, Hazel, memorializing - HR 11
McAnulty, William E., memorializing - HR 12
Preston, Raymond B., memorialize - HR 9
Saylor, Fremon, memorializing - HR 13
Shumate, James Lee, memorializing - HR 5
Taylor, David Yandell, memorializing - HR 15
Watkins, Thelma Berry Midgett, memorialize - HR 8
Whitney, Patricia Ann, memorializing - HR 3

Military Affairs and Civil Defense
United States Armed Forces, honoring - HR 14

Popular Names and Short Titles
Incentives for Energy Independence Act - HB 1

Taxation
Incentives for Energy Independence Act - HB 1

Taxation, Sales and Use
Energy efficiency expenditures, credit - HB 1

Taxation, Severance
Energy efficiency expenditures, credit - HB 1

Veterans' Affairs
United States Armed Forces, honoring - HR 14